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Worldwide Lodging Industry

Twelfth Annual Report on International Hotel Operations

1982 Edition

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Foreword

by

The Rt. Hon. Lord Hirshfield
President and Chief Executive Officer
Horwath & Horwath International

Although the final totals of international arrivals and tourism receipts are not yet available for 1981, the year was not a particularly good one for the accommodations industry. Our 12th annual report on international hotel operations reveals declines in occupancy, double occupancy and the average length of stay. Although total international arrivals may have increased over 1980, the rate of increase will undoubtedly be lower than the trend of the previous decade, and any increase in tourist receipts was due primarily to inflation. The only positive trend in 1981 was a continuing, steady increase in the number of tourist arrivals from domestic sources.

Tourists have needed to adjust to many constraints on travel in the past few years, including sudden, sharp regional conflicts, and higher costs for transportation and other services. Comments from industry representatives around the world show the ways travelers are adjusting to the difficulties. For example, in North America and a number of other countries (with the notable exception of Europe) the problem of higher transportation costs has been offset by substituting single destinations for touring, and generally staying closer to home. Destinations where favorable exchange rates have reduced the cost of travel have been preferred and those areas where terrorist activities have erupted recently or may be threatened have been avoided. In spite of all manner of difficulties, people will continue to go on holiday but the method of travel, the destination, the duration of the visit and the style of accommodation can apparently be adjusted to suit the economic and social conditions of the moment.

Successful hotel operators must consider the implications of the changes in travel patterns in their strategic planning. Competitive advantage can be achieved either by improving market share or increasing operating efficiency. By identifying the segments of the market that can be served best and anticipating the shifts in demand that will occur in an area, it is possible to devise strategies that will increase occupancy and length of stay. Facilities, services and prices may need to be adjusted to cater to the needs of new and different types of clientele and the operator must remain flexible.

The comments from HHI member firm offices around the world that follow and the amounts and ratios contained in this report are all valuable tools for the planner. They provide the basis for an assessment of the overall business environment, an evaluation of performance, and development of future trends. These steps are essential in the process of strategic business planning. The tourism industry will continue to be influenced by economic trends and occasional regional conflicts in the 1980s. The hotel operator who can best utilize the information available to develop strategies that will provide competitive advantages is the one most likely to succeed. ■

Avant-propos

Les résultats définitifs des arrivées internationales et des recettes du tourisme ne sont pas encore disponibles pour 1981, mais il apparaît que l'année ne fut pas particulièrement bonne pour l'industrie hôtelière. Notre 12ème rapport annuel sur l'industrie hôtelière internationale reflète une diminution des niveaux d'occupation, de l'indice de double occupation des chambres et de la durée moyenne du séjour.

Même si les arrivées internationales totales se sont accrues en 1980, le taux de croissance sera certainement plus faible que la tendance de la dernière décennie et l'accroissement des recettes a dérivé essentiellement de l'effect de l'inflation.

La seule tendance positive fut la poursuite d'une croissance du nombre des arrivées touristiques d'origine nationale.

Durant les dernières années, les touristes ont dû s'adapter à de nombreuses contraintes dans leur voyage, notamment l'apparition soudaine de conflits régionaux aigus et l'élévation des coûts des transports et des autres services.

Les commentaires des représentants de la profession autour du monde montrent comment les voyageurs se sont adaptés à ces difficultés.

Par exemple, en Amérique du Nord et dans certains autres pays (à l'exception notable de l'Europe), le problème de l'élévation des coûts de transport a induit, par compensation, un développement des voyages à destination unique, et généralement dans des lieux plus proches de la résidence.

On a préféré les destinations offrant des termes d'échange favorables à une diminution du coût du voyage, et les zones sujettes récemment à des troubles terroristes ou à des menaces de troubles ont été évitées.

En dépit de toutes sortes de difficultés, les gens continuent de partir en vacances, mais la méthode de voyage, la destination, la durée de la visite et le style de services utilisés peuvent apparemment s'adapter pour répondre aux conditions économiques et sociales du moment.

Pour réussir, les hôteliers doivent incorporer les implications des changements des modes de voyage dans leur plan stratégique. Un avantage compétitif peut être réalisé soit en améliorant sa part de marché, soit en accroissant l'efficacité de gestion.

L'identification des segments de marché qui peuvent être les mieux desservis et l'anticipation des changements qui interviendront localement permettent de concevoir des stratégies qui accroîtront l'occupation et la durée de séjour.

Il est possible que les équipements, les services et les prix doivent être ajustés pour satisfaire les besoins de nouveaux et différents types de clientèle, et l'exploitant doit faire preuve de flexibilité.

Les commentaires des bureaux des sociétés membres de HHI autour du monde et les chiffres et ratios contenus dans ce rapport représentent tous des instruments précieux pour le "planificateur".

Ils fournissent la base permettant d'évaluer l'environne-

ment professionnel dans son ensemble, la mesure des résultats et l'évolution des tendances futures.

Ces étapes sont essentielles dans le processus de planification stratégique.

L'industrie du tourisme continuera a être influencée par les tendances économiques et les conflits régionaux conjoncturels dans les années 1980.

L'hôtelier qui saura utiliser au mieux l'information disponible pour développer les stratégies qui lui donneront des avantages compétitifs sera celui qui aura les meilleures chances de succès. ■

Prólogo

Si bien los resultados finales para 1981 de las llegadas internacionales de turistas y los ingresos obtenidos de ellas todavía no están disponibles, este año no se destaca como beneficioso para la industria hotelera. Nuestro doceavo reporte anual de las operaciones hoteleras internacionales revela un descenso en la ocupación, ocupación doble y el promedio de estadía. Aunque posiblemente el total de llegadas internacionales haya superado el total de 1980, la proporción del aumento será indudablemente menor a la tendencia establecida en la década anterior y cualquier aumento en los ingresos turísticos percibidos habrá sido primordialmente reflejo de la inflación. La única tendencia positiva en 1981 ha sido un continuo y estable crecimiento en el número de llegadas de turistas de procedencia interna o doméstica.

En los últimos años los turistas se han tenido que acoplar sus planes de viajes a una serie de limitaciones, incluyendo conflictos regionales y al aumento del costo de transporte y de otros servicios. Comentarios de los representantes de la industria, a través de todo el mundo, reflejan la manera por la cual los viajeros se acoplan a las dificultades. Por ejemplo, en los Estados Unidos y varios otros países (con la notable excepción de Europa) el problema del alto costo del transporte ha sido contrarrestado eligiendo vacaciones de un solo destino y en general más cercanas al hogar. Se han demostrado preferencias en escoger aquellas destinaciones adonde un cambio de divisa favorable reduzca el costo; y se han evitado regiones que hayan sufrido reciente agitación terrorista, o bien puedan ser blanco de ellas en un futuro. A pesar de todo tipo de dificultades, la gente continuará disfrutando sus vacaciones y lo único que modificará será su método de transporte, su destino, el tiempo de su visita y el tipo de alojamiento conforme a las condiciones económicas y sociales que imperen en ese momento.

Los operadores de hoteles que deseen triunfar tendrán que considerar las implicaciones de los cambios en las tendencias de los viajes en su planificación estratégica. La ventaja competitiva se puede obtener ya sea al incrementar la participación en el mercado, o bien aumentando la eficiencia operacional. Definiendo aquellos segmentos del mercado que mejor se puedan captar y anticipando los cambios que puedan ocurrir en la demanda de una destinación, será posible diseñar una estrategia que aumentará la ocupación y la estadía del viajero, ya que los servicios, las comodidades y los precios tendrán que ser ajustados para corresponder a las necesidades de nuevos y distintos tipos de clientela. El hotelero deberá mantenerse flexible.

Los comentarios de las distintas oficinas de las firmas asociades con HHI alrededor del mundo, las cifras y las proporciones presentadas en este reporte serán un valioso aporte a la labor del planificador. Estos datos proveen la base para una evaluación completa del ambiente que reina en el negocio, una evaluación de los resultados obtenidos y el desarrollo de las pautas futuras. Estos pasos son esenciales en el proceso de planificación estratégica. En los años 80, la industria del turismo continuará influenciada por las tendencias económicas y los conflictos regionales intermitentes. El operador que mejor pueda aprovechar la información disponible, para desarrollar estrategias con ventajas competitivas, será el que mayores oportunidades disfrutará para obtener el triunfo. ■

Vorwort

Die endgültigen Zahlen der internationalen Ankünfte und der Einnahmen aus dem Tourismus sind zwar für das Jahr 1981 noch nicht verfügbar, dennoch steht jetzt schon fest, daß es kein besonders gutes Jahr für das Beherbergungsgewerbe war. Unser zwölfter Jahresbericht über die Geschäftstätigkeit internationaler Hotels zeigt eine Verringerung der Gesamtauslastung und der Doppelbelegungsrate sowie eine Verkürzung der durchschnittlichen Aufenthaltsdauer. Obwohl sich die Zahl der internationalen Ankünfte gegenüber 1980 erhöht haben dürfte, wird die Zuwachsrate zweifelsohne niedriger sein als der Trend im vorangegangenen Jahrzehnt. Jegliche Steigerung der Einnahmen aus dem Tourismus ist hauptsächlich inflationsbedingt. Der einzige positive Trend im Jahre 1981 war das beständige Anwachsen der Zahl einheimischer Touristen.

Die Touristen haben sich auf ihren Reisen in den vergangenen Jahren vielen Zwängen anpassen müssen, wie zum Beispiel plötzlichen, jedoch örtlich begrenzten Konflikten und höheren Kosten für Transport- und andere Dienstleis-

tungen. Kommentare von Vertretern des Hotelgewerbes aus aller Welt zeigen, wie die Reisenden sich auf diese Schwierigkeiten einstellen. So wird zum Beispiel in Nordamerika und in einer Reihe anderer Länder (mit der bemerkenswerten Ausnahme von Europa) das Problem der höheren Reisekosten dadurch ausgeglichen, daß man mehrere Einzelreisen durch eine Rundreise ersetzt und im allgemeinen näher beim Heimatort bleibt. Es werden Ziele in Ländern bevorzugt, in denen sich die Reisekosten durch günstige Wechselkurse vermindern und solche Gebiete gemieden, in denen kurz zuvor terroristische Aktivitäten ausbrachen oder auszubrechen drohten. Trotz dieser mannigfachen Schwierigkeiten werden die Menschen weiterhin Ferien machen, aber die Wahl der Verkehrsmittel, das Ziel, die Aufenthaltsdauer und die Art der Unterbringung werden offensichtlich den jeweiligen wirtschaftlichen und sozialen Bedingungen angepaßt werden.

Erfolgreiche Hoteliers müssen die Folgen der geänderten Reisegewohnheiten in ihre langfristigen Planungen einbeziehen. Wettbewerbsvorteile können entweder durch eine Verbesserung des Marktanteils oder durch eine Erhöhung der Produktivität erzielt werden. Klares Erkennen der Teilmärkte, die am besten versorgt werden können, und frühzeitige Feststellung der dortigen Nachfrageverschiebungen ermöglichen es, Strategien zu planen, welche die Gesamtauslastung und die Verweildauer erhöhen. Die Ausstattung des Hotels, die Dienstleistungen und die Preise müssen unter Umständen den Bedürfnissen neuer und unterschiedlicher Kundengruppen angepaßt werden und der Unternehmer muß beweglich bleiben.

Die folgenden Kommentare von Büros der HHI angeschlossenen Firmen aus der ganzen Welt und die Zahlen und Kennziffern, die in diesem Bericht enthalten sind, bilden wertvolle Hilfsmittel für die Planungen. Sie stellen die Grundlage dar für eine Einschätzung des wirtschaftlichen Umfeldes und eine Bewertung und Entwicklung zukünftiger Trends. Diese Schritte sind wichtig im Prozeß langfristiger Unternehmensplanung. Die Tourismusindustrie wird auch in den achtziger Jahren weiterhin durch wirtschaftliche Entwicklungen und gelegentliche örtliche Konflikte beeinflußt werden. Derjenige Hotelier wird wahrscheinlich am erfolgreichsten sein, der am besten die verfügbaren Informationen nutzen kann, um Strategien zur Erzielung von Wettbewerbsvorteilen zu entwickeln. ■

Comments From Around the World

Africa and the Middle East

From Angola

During 1981, Angola's economy was seriously affected by disputes along the country's southern border. Nevertheless, it appears that economic conditions should return to normal by the third quarter of 1982.

The opening of the Hotel Presidente (frequently postponed) is now expected during the third quarter of 1982. Under the terms of a long-term contract, SISAL Hoteis S.A., directed by Daniel Cortez, continues to provide technical services to Anghotel, the government's hotel company.

Once economic stability is attained, the pace is expected to pick up on a program to train Angolans for executive and operational positions in the lodging industry. The program is sanctioned by government officials of the Republica Popular de Angola.

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From Cameroon

Hotel capacity in Cameroon increased from 4,440 rooms at the beginning of 1980 to 5,000 rooms by mid-1981. New hotel projects are primarily in Douala (the commercial center and main port) and Yaounde, the capital. Hotel projects to be operated by international chains include Hilton International and Frantel in Douala and Yaounde. Other international operators associated with projects in Cameroon include PLM, Arcade, Ibis and Sofitel-U.T.H.

Douala has a shortage of international standard hotel rooms. However, that situation should change if proposed hotel developments are realized. The result could be a change in the market, most notably the promotion of conferences. The hotel market in Yaounde is currently weaker than in Douala.

Cameroon Airlines, the national carrier, continues to expand its services. New routes include service to London with reciprocal service by British Caledonian Airways.

Tourism to Cameroon is expanding. The last annual increase in arrivals was more than 10 percent, and there is considerable potential for further development.

Martin Gerty
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London

From Cyprus

The boom in tourist arrivals in Cyprus continued during 1981 and early 1982. A total of 429,900 arrivals were recorded during 1981, an increase of 21.6 percent compared with 1980. The major growth sector was the Swedish market, with arrivals increasing from 30,600 in 1980 to 67,900 in 1981. In addition, there were significant increases in the number of arrivals from Austria, France, the Gulf States, Switzerland and the United Kingdom.

However, as reported in *Worldwide Lodging Industry Midyear Commentary 1981-1982*, the remarkable growth in the country's tourism industry during the last seven years has not been achieved without costs. In our opinion, tourism in Cyprus is reaching a highly critical phase, and the response of government and tourism industry officials during the next two or three years will be vital to the future development of the industry.

We believe the following are critical factors:

- The supply of tourist accommodations is increasing very rapidly, particularly self-catering facilities (many of which are beyond government control) and there is a serious danger of a future decline in occupancy.
- About one-third of the country's tourist accommodations are unlicensed flats. Such accommodations are not subject to government regulation and control, although legislation is expected to be introduced shortly to remedy the situation.
- There are signs that the rapid development of Cyprus' tourism facilities has affected the environment adversely. For example, there have been inadequate planning controls and there is traffic congestion in the cities, problems that were exacerbated by the Turkish invasion of 1974.
- If development continues at the current rate, there probably will be a severe shortage of major resources, including water and skilled labor.

In many ways, the above problems reflect the successful development of the island's tourism industry since the 1974 invasion. However, there is the danger that the combined effects of the above trends could seriously devalue Cyprus' tourism industry and deter the high expenditure market, which the government has declared it will attract.

Government and municipal authorities are aware of these problems and we urge them to continue their actions to overcome the dilemma.

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From Egypt

The assassination of President Anwar Sadat in October 1981 had an immediate but short-term effect on tourism to Egypt. After a rush of cancellations (based on ill-founded fears) during the last two months of 1981, the year as a whole still produced

spectacular results. The number of tourist visits increased 9.8 percent compared with 1980 and the number of tourist nights increased 21.3 percent.

For the long term, however, we believe that the events of October 1981 resulted in a reexamination of the more speculative development plans for tourist facilities. As a result, the development plans now being announced represent investment opportunities that have been thoroughly studied.

The interest now being shown by developers is more balanced among the four principal tourist regions in Egypt: Cairo, Upper Egypt (including Luxor and Aswan), the Mediterranean coast (including Alexandria) and the Red Sea coast. Without the prospect of more development, particularly in Upper Egypt and the Red Sea coast, hotel owners in Cairo could seek long-term arrangements for packages that would include Cairo together with destinations outside Egypt. While this might make commercial sense for Cairo's hoteliers, it could establish an unfortunate precedent for the future.

Almost 1.4 million foreign tourists arrived in Egypt in 1981. While this is a significant figure, contributing to a trend that indicates increasing numbers of tourists are arriving in Egypt, it is small compared with other major international destinations and must be viewed in that context.

The addition of new hotel rooms in Cairo has depressed occupancy levels several percentage points and more hotel rooms are expected to enter the market. We do not foresee that these additional rooms will cause a major upset for Cairo's hotel industry, but we do believe that competitive market forces will begin to play an increasingly important role in the planning strategies of hotel managers.

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Youssef Nabih & Co.
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Geoff S. Parkinson
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From the Gulf States and Saudi Arabia

The Gulf States and Saudi Arabia continue to have an oversupply of hotel rooms. However, several Gulf States (notably Sharjah, Dubai and Bahrain) are exploring the possibility of developing their tourism potential by attracting special tour groups and promoting their states as "stopover" destinations. This developmental proposal is designed not only to fill the continuing glut of empty hotel rooms, but, in some cases, to provide an economic boost to overstretched economies.

Officials are attempting to attract more visitors by providing a variety of entertainment, particularly sporting events, and a number of marinas have been constructed along the coast. Efforts also have been made to facilitate visa applications. In 1982, Sharjah applied to the Federal Ministry of Tourism for 10,000 visas, Dubai for 30,000.

Although such measures will help mitigate the problems of hoteliers, the imbalances of supply and demand in the region's hotels will likely continue for the short term.

Dermot C. A. Mathias
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London

From Israel

Tourism to Israel continued to decline in 1982. Figures for the first four months of the year indicate a decrease of about 6 percent, following a drop of about 3 percent in 1981. As in recent years, the number of tourists from the United States decreased more rapidly than that from Europe. The reasons for the rapid decline in tourism include the increased tension in the area and the return of the Sinai to Egypt in accordance with the peace treaty between the two countries.

The decrease in incoming tourism has had an adverse effect on hotel room occupancy. Average room occupancy nationwide was 57.3 percent in 1981, compared with 59.1 percent in 1980. The decline may be somewhat larger in 1982.

There is limited investment in new hotels. Most facilities under construction are in resort areas, such as Eilat, The Dead Sea region and Tiberias. The number of available rooms in Jerusalem is expected to increase significantly during the next two years, with the completion of projects now under construction in that city.

Dan Bawly
Horwath, Bawly, Millner & Co.
Tel Aviv

From Nigeria

A decrease in oil revenue has forced the Nigerian Government to impose severe import restrictions and cut back on an ambitious development program. However, these generally are considered to be relatively short-term measures.

Business travel, a major market segment for Nigeria's hotels, has remained steady despite the economy. In Lagos and other major commercial cities there is a shortage of international standard hotel rooms, so hotels continue to achieve exceptionally high levels of room occupancy. However, room occupancy has declined in some secondary destinations.

International hotel companies are expressing interest in developing facilities in Nigeria, particularly in Lagos and Abuja. Current hotel projects being developed include a Sheraton and a Hilton International in both Lagos and Abuja. Sheraton is also planning facilities for other Nigerian cities.

Alfred B. Alabi
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Martin Gerty
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From South Africa

Despite an economic slowdown in the second half of 1981, the hotel industry in South Africa continues to prosper. Average room occupancy increased 1.8 percent and average bed occupancy 1.2 percent during 1981 compared with the previous year.

The Southern Sun Group, which operates about 5,000 rooms in Southern Africa, announced a profit increase of 26 percent to R31.4 million for the 12 months ended March 31, 1982. This was achieved on an average 80 percent occupancy and revenue of R188 million. However, growth was markedly slower in the second half of the fiscal year.

Overseas tourism to South Africa increased in 1981 despite rising airfares and other travel costs. The number of visitors from Europe increased 14 percent, while arrivals from the United States rose 17 percent. The Department of Tourism anticipates a growth rate of 10 to 15 percent for arrivals from Europe in 1982.

The demand for conference facilities in South Africa is still increasing, and hotels continue to compete for a share of this market. Developers place a priority on conference facilities in planning for all new hotel projects.

Hotel restaurant sales continue to be a problem. In rural areas and smaller towns, clients have little choice but to eat in hotel restaurants. In urban areas, particularly Johannesburg, excellent private restaurants have proliferated, encroaching on hotel restaurant sales. The competition has encouraged hotels to offer quality food and service, supplemented by such attractions as top quality cabarets.

The shortage of skilled personnel, chefs and middle management remains critical. Much attention is being given to training facilities at local hotel schools, especially by Westin Hotels and Holiday Inns. However, it has still been necessary to recruit staff overseas.

During 1981, there was a critical shortage of hotel accommodations in Johannesburg, beginning at the top end of the market and overflowing to lower-grade facilities. Demand for higher-class rooms is growing at an annual rate of 5 percent. The shortage will be alleviated as new developments by Westin Hotels, Southern Sun and Holiday Inns are completed, adding a total of 700 rooms to the market.

Game lodges always have been a major attraction, especially among overseas tourists. In the past five years, several lodges have opened, providing game-watching in luxurious accommodations, as well as conference facilities. High prices have not deterred tourists and there is fierce competition among lodges, yielding substantial profits. The government-sponsored National Parks Board is now offering luxury facilities in Kruger National Park at prices slightly lower than other lodges.

During 1981, the marketing of time-shared apartments at seaside resorts became a feature of the leisure industry. These have proved popular, but it has not been demonstrated that such complexes can be managed properly once all the units have been sold. Southern Sun successfully marketed one hotel on this basis but does not plan to undertake similar projects in the near future; nor do any of the other hotel groups. However, other major corporations probably will continue to invest in this concept.

Development in the South African hotel industry continued during the past year. Although larger hotel groups have focused on expansion, smaller hoteliers have competed fiercely and maintained their market share. Casino/hotel complexes in the independent homelands have proved tremendously successful in attracting foreign and domestic tourists. Holiday Inns successfully launched such a complex in the Transkei and already has plans to enlarge the facility.

With annual inflation at about 15 percent, hotel groups will be hard pressed to hold rate increases within reasonable limits. Notwithstanding these increases and the industry's slower growth rate in the past six months, the larger groups will continue their expansion programs believing that occupancies will not be seriously affected and that earnings will show at least modest growth.

Southern Sun will open a casino/hotel complex in the Transkei and a new hotel in Johannesburg in 1982. Work has begun in Cape Town on a five-star hotel in the old Cape Dutch style. There also are plans for facilities on the Durban beachfront.

Holiday Inns recently opened several hotels in Johannesburg and outlaying areas. Plans for a facility in Pretoria and a beachfront hotel in Durban are being finalized.

The Kondotel Group has begun work on a holiday complex on Durban's "Golden Mile." Westin's Carlton Court, the ultra-luxury annex to the well-known Carlton Hotel in Johannesburg, should be completed by mid-1982.

Malcolm Segal
Kessel Feinstein
Johannesburg

From Tunisia

The tourism industry in Tunisia experienced a significant increase during 1981, with demand exceeding the level forecast. The number of foreign visitors rose to 2,150,996, a 34.3 percent increase compared with 1980 (1,602,054).

A total of 13,227,528 guest nights (foreign and domestic guests) were recorded by the hotel industry as a whole, rising 3.4 percent above the 1980 level. In the same period, total hotel capacity increased 4.4 percent, from 58,420 beds in 1980 to 60,769 in 1981. As a result of the similar increases in supply and demand, average bed occupancy remained constant at about 60 percent in 1980 and 1981.

Based on available information, total hotel capacity is expected to increase 30 percent to 80,000 beds in the near future, while only 14 million guest nights are projected for 1982. As a result, average bed occupancy is expected to decline to about 48 to 49 percent in 1982.

Rached Fourati
Cabinet Fourati
Tunis

Dominique Gagnard
Horwath & Horwath France
Paris

From Zimbabwe

During 1981, the second year of Zimbabwe's independence, the hotel industry showed promising signs as a major earner of foreign currency. Tourist arrivals reached 372,000--equivalent to the 1973 record. However, the hoteliers association claims that it is not receiving the full benefit of the huge increase in numbers since most Zambian visitors stay with friends and come only to shop. Tour operators and hoteliers also are concerned that not enough foreign currency is being allocated to the lodging industry.

Coverage of Zimbabwe in the foreign press was not favorable during 1981, making tourism promotion abroad difficult. Nevertheless, increasing numbers of tourists are arriving from Europe and the United States.

Hotel development activity is strong, particularly at Victoria Falls, the

"jewel in the national crown." The area is served by the Victoria Falls Hotel, the Makasa Sun (with casino), A'Zambezi River Lodge and the Falls Motel. The exclusive Rainbow Hotel, which closed in June 1976, is scheduled to reopen in June 1982. The Zimbabwe Sun Hotel Group has spent $6.5 million (Zimbabwe dollars) refurbishing its hotels and building a new casino at Victoria Falls.

In other development activity, the Cresta Group has expanded the Jameson Hotel in Harare and reopened the Churchill Arms in Bulawayo. The Holiday Inn Group, which has an interest in the Montclair Hotel in the Inyanga Mountain area, recently opened a casino there, and is building a 210-room complex in Harare in conjunction with the government.

Gordon C. Robb
Barbour, Robb & O'Connor
Harare

Asia and The Pacific Region

From India

During 1981, 853,148 foreign tourists visited India, an increase of 53,000 or 6.6 percent compared with 1980. Foreign exchange earnings from tourism are estimated at US$625 million. Despite steady annual growth in tourist arrivals, India's share of the world tourism market is a meager 0.29 percent.

With the recent entry of Hyatt Regency, which will manage Asian Hotels' new project in Delhi, there are now five major international chains operating in India. (The others are Inter-Continental, Sheraton, Holiday Inns and Meridien.) Asian Hotels Ltd. is a consortium promoted by three residents and three nonresident Indians from Hong Kong and Japan.

Delhi is looking forward to receiving a large number of tourists this winter for the Asian Games (Asiad). However, unless there is a spurt of tourist traffic after the Asiad, the capital may experience excess hotel capacity for some time. According to one hotelier, it is going to be the survival of the fittest and the best.

The Himalayas are becoming a major attraction for international tourists. In recent years, there has been a continuous increase in the number of trekkers in India. In 1982, 50,000 trekkers are expected to visit the world's highest mountains.

In a bid to attract tourists from nontraditional areas, the Department of Tourism proposes to open tourist offices in Caracas, Colombo, Kuala Lumpur, Hong Kong, Dubai and Kathmandu.

The Hotel Corporation of India, a subsidiary of Air India, has undertaken five hotel projects, including a 355-room five-star hotel at Juhu Beach, Bombay, a 275-room hotel and convention center on Dal Lake in Srinagar, and a five-star hotel at the airport in Delhi.

Domestic tourism also will be encouraged. The India Tourism Development Corporation has earmarked funds for moderately priced hotels in Gauhati (Assam), Puri (Orissa), Bhopal (Madhya Pradesh), Itanagar (Arunachal Pradesh), Hyderabad (Andhra Pradesh) and Ranchi (Bihar) as joint ventures with the respective state governments.

Charter flights for tourists are expected to increase by August 1982. Air India is planning to concentrate on convention tourism, and has launched a tourist promotion campaign. Efforts also are being made to strengthen the tourism infrastructure.

The Hotel-Receipts Tax, levied in 1980, was abolished in February 1982. In his 1982-83 budget speech, the Finance Minister admitted that the tax would affect the flow of foreign tourists to India adversely. The Union Minister for Tourism has appealed to hotels that had included the tax in their rates to reduce them accordingly.

Vasant N. Raiji
N. M. Raiji & Co.
Bombay

From Sri Lanka

Tourist arrivals in Sri Lanka increased 15 percent during 1981 compared with the previous year. However, the rate of growth was considerably less late in the year. In November and December 1981, arrivals increased only 2 percent and 3 percent respectively compared with 1980, and the number of arrivals on charter flights declined.

The overall increase in the number of tourists occurred during 1981 despite the severe economic recession in major market countries, the collapse of some small European tour operators serving Sri Lanka and the adverse publicity resulting from civil unrest.

Tourism is expected to increase in Sri Lanka. In addition to its tourist attractions, the country benefits from being the closest, (yet long haul) "exotic" destination to major demand generating markets of Europe. Hotel projects are planned to accommodate the projected increase in the number of tourists. However, the government has expressed concern about the adverse effect of hotel industry price increases on tourism development.

Martin Gerty
Horwath & Horwath (U.K.) Ltd.
London

From Thailand

Bangkok is celebrating its bicentennial during 1982. To mark the occasion, major festivities were held in April, including the spectacular Royal Barge Procession along the Chao Phya River. As expected, the bicentennial did not attract substantial numbers of international tourists, but there was a slight increase. Domestic tourists have been traveling to Bangkok from the provinces for the bicentennial celebrations, which are considered a great success.

Tourist arrivals continued to increase at a modest rate, although much of the tourist traffic is generated from ASEAN, (Association of Southeast Asian Nations) countries. It is anticipated that future increases will be generated primarily from Asia. Hoteliers in Bangkok have reported decreases in occupancies during 1982, and they fear that this trend will continue, especially when new hotels open in late 1982 and early 1983 (Peninsula, Royal Orchid, Rama Garden and the Airport Hotel of Thai

International). An estimated 4,500 rooms are scheduled to be added to Bangkok's supply during the next two years. Although hoteliers are still experiencing modest profits for the year, they are not too confident about the future, mainly because of the projected oversupply of hotel rooms.

Rodolfo U. Alvizo
Allied Management Consultants of Asia Company, Ltd.
Bangkok

Edward J. G. Davies
Horwath & Horwath (U.K.) Ltd.
London

The Pacific Region

(Comments for the Pacific Region were compiled by Clarence H. Peters, Laventhol & Horwath, San Francisco.)

General Comments

The lodging and tourism industries of the Pacific region have shown moderate increases in visitor arrivals and overall expenditures. The growth pattern at primary destinations continued to exceed regional trends, although these locations did not experience the strong performance levels of the past.

A slumping international economy, problems within the airline industry serving the region and the over construction of first-class hotel accommodations have affected the overall growth of the area. However, the worst appears to be over and there is evidence that negative conditions are beginning to fade.

The forecast for year-end is for a small increase in performance and growth, but hotel operators generally are expecting a return to a more dynamic economic environment by mid- to late-1983.

From Hawaii

In recent years, there has been a severe decline in the performance of Hawaii's lodging and tourism industries. In addition to the general economic downturn experienced throughout the Pacific region, Hawaii has experienced significantly greater economic problems because of its dependence on visitors from the United States mainland. The construction of facilities that were almost exclusively deluxe and the drastic reduction in the numbers of incoming visitors have caused concern among hoteliers, condominium owners, tour operators and government officials.

In response to these unfavorable conditions, industry and government officials have instituted intensive marketing and promotional campaigns in all media to attract a more diverse cross section of visitors. Particular emphasis has been placed on attracting the lucrative Japanese and European markets.

There is evidence that a slowdown in the decline has begun during 1982. Also, new hotel rooms are slowly being absorbed. These general indicators have led to an optimistic belief that the worst of the economic conditions are beginning to stabilize and that a pattern of growth may begin in 1983.

Industry experts believe that intense marketing and promotion must continue well into the future if Hawaii is to recapture its former prominence as a major Pacific destination. Also, any new hotel developments must be limited in scope and appeal to a wide variety of international visitors.

From Hong Kong

Hong Kong continues to be a primary destination for foreign visitors. Although the Pacific Region generally has experienced the combined effects of an unfavorable international economy, slight decreases in the number of visitors and increasing airfares, Hong Kong's lodging industry is among the top performers in the region.

The temporary oversupply of hotel rooms (the result of an ambitious development program by local developers) apparently has begun to diminish. Hotel operators forecast strong occupancy levels for year-end, although the projected increases in average room rates will be below historical levels. The overall growth rate for incoming visitors is expected to be moderate, with a significant portion of that increase represented by European and Australian visitors.

Recent hotel openings include the 440-room Marco Polo Hotel, the 603-room Regal Meridian and the 403-room Regal Meridian-Airport.

From Japan

Japan's lodging industry has remained stable despite an unfavorable international economy. There has been a moderate increase in the number of international arrivals in major tourist areas, as well as an increase in the number of travelers in rural sections of the country.

The pace of new hotel development is moderate and the outlook is that future growth will follow a similar trend.

Hotels recently opened include the 263-room Hotel Castle Plaza (Nagoya), and the 245-room Kyoto Century Hotel and the 320-room Hotel New Hankyo (both in Kyoto).

Hotels under construction include the 363-room addition to the Imperial Hotel (Tokyo), the 525-room Keio Plaza (Sapporo) and the 655-room Osaka Nikko (Osaka).

From Korea

Korea has begun to experience a slight increase in visitor arrivals after the decline of recent years. Apparently, extensive marketing and promotional programs aimed at primary markets, coupled with a general recognition by foreign visitors of Korea's political stability, have had a positive effect on the lodging and tourism industries in Korea.

Although few new hotel projects have been undertaken recently, hotel industry observers believe that the existing range of lodging facilities, in terms of quality and price, will adequately accommodate limited growth in the number of visitors. Also, observers hope that new hotel development will occur once a more favorable growth pattern is achieved.

The 300-room Cheju Grand Hotel recently opened on Cheju Island.

From Macau

Macau has experienced a steady increase in the number of international arrivals, and projections for future growth are very positive. The increase appeared to be the result of an aggressive promotional campaign by tourism officials and local operators, who emphasize Macau's proximity to Hong Kong and the People's Republic of China. Ironically, the increase actually was due to the growing reputation

of Macau as a favorable alternative destination, since proportionate increases in the number of visitors are not evident in other destinations in the region.

Historically, hotel development has progressed at a moderate pace because of government restrictions. However, government officials have adopted a new attitude, characterized by an accelerated approval process along with tax incentives, that encourages developers to respond more quickly to development opportunities.

Current hotel projects include the 338-room Hyatt (expected to open in August 1982), the 404-room Hotel Solyar (late 1982), the 360-room Holiday Inn (late 1983), the 266-room Ramada Hotel (mid- 1983) and the 495-room Hotel Excelsior (1984).

From the People's Republic of China

The People's Republic of China continues to increase in popularity as a major destination for foreign tourists. Tourism promotion by government agencies, coupled with the efforts of major international tour operators, is luring visitors who traditionally have traveled to primary destinations, such as Hong Kong and Singapore.

Unfortunately, tourism in China is hampered by a severe lack of quality hotels, a condition resulting from a slumping economy and a conspicuous lack of local hotel development and operational expertise. Also, the difficulties encountered with governmental bureaucracy in obtaining acceptable financing have discouraged a number of major lodging chains from pursuing development opportunities in China. Still, an ambitious program of hotel development is underway and the outlook for the future of the lodging industry is optimistic.

Major hotel projects include:

In Beijing, the 1,500-room Palace Hotel (mid-1983), the 1,300-room International Hotel (mid-1984), the 1,007-room Changchang Hotel (mid-1983) and the 650-room Jianhua Hotel (completion unknown).

In Canton, the 1,000-room White Swan Hotel (late 1982), the 2,350-room Garden Hotel (late 1983) and the 1,200-room Canton Hotel (mid-1983).

In Nanjing, the 800-room Jinling Hotel (summer 1982).

In Shanghai, a 500-room hotel yet unnamed (completion unknown).

From Taiwan

In recent years, Taiwan's lodging industry has grown steadily, with occupancy ranging in the high 70 percent to low 80 percent level. However, hoteliers are concerned that these historically strong operating levels are now declining. The decline is attributed to the combined effects of a 20 percent rate increase for first-class hotels and a 10 percent decrease in the number of Japanese travelers, who represent one of the largest sources of foreign visitors to Taiwan. Hotel operators have responded to these trends by reevaluating their capabilities to appeal to a broader range of foreign visitors. In many cases, a greater emphasis is being placed on efforts to attract convention business, as well as business and independent travelers.

Generally, hoteliers believe that the decline will be partially offset by the steadily increasing number of American visitors, and are optimistic about the future potential of Taiwan's lodging and tourism industries.

Hotels recently opened or under construction include the 420-room United Hotel, the 300-room Cosmos Hotel, the 700-room Lai Lai Shangri-la and the 800-room Asiaworld Hyatt Regency (opening late 1982).

Latin America

(The comments for Latin America were prepared by Eliberto J. Gracia, HHI's Coordinator for Latin America, and Juan J. Tejera, a partner in Laventhol & Horwath's Latin America Office, based on information provided by the various HHI firms in the region. Gracia and Tejera are based in L&H's Miami office.)

From Argentina

An estimated one million visitors arrived in Argentina during 1981. In Buenos Aires, first-class hotels achieved an average annual occupancy of 62 percent. The 1,800 rooms in this category were expanded with the October 1981 opening of the Hotel Panamericano, a 225-room property catering mainly to business travelers. The average rate for first-class hotels in Buenos Aires was US$75; secondary hotels obtained US$65.

Tourist activity in other areas of Argentina is seasonal. Hotels reported full occupancies during the season.

Room rates have not changed significantly. Prices generally have fluctuated only in relation to foreign exchange. The Argentine peso has changed from an overvaluation to a moderate devaluation, benefiting the tourism industry in two ways. On one side, foreign tourists received a higher value for their money. On the other hand, the number of Argentinians traveling abroad declined as a result of the peso's weak exchange rate, resulting in an increase of internal travel. During 1981, the tourism industry benefited slightly from these developments. If these conditions continue, the industry should benefit greatly during 1982.

Raúl A. Nazer
Cánepa, Pestarino,
Nazer y Asociados
Buenos Aires

From Brazil

The operational results for Brazil's lodging industry improved considerably in 1981 over the previous year. The occupancy of tourist hotels returned to levels achieved in prior years partly as a result of an aggressive campaign that promoted new destinations and ports of entry. The campaign was directed by Dr. Miguel Colassuono, president of EMBRATUR.

The occupancy of first-class commercial hotels remained stable or improved during 1981 compared with previous years. Among the hotels that reported an outstanding performance were the Maksoud Hotel in Sao Paulo and the Meridien Hotel in Rio de Janeiro.

A number of international hotel chains are exploring the possibilities for or are developing tourist hotels. Two areas attracting interest are the north and northeastern sections of Brazil, where the government has provided a number of development incentives. The development of commercial facilities is continuing in several cities, including Sao Paulo, Belo Horizonte, Rio de Janeiro and Curitiba. Holiday Inns International plans to increase the number of facilities that it now operates in Brazil, and Hilton International plans to open a 400-room hotel in Belem by the end of 1983. NOVOTEL, a French chain that caters to commercial travelers, plans to increase its representation in Brazil, which now includes 15 hotels.

The hotel industry in Brazil appears to have made a substantial recovery over the performance of past years, and the outlook for the industry is very promising.

Salvador F. Conti
Soteconti Auditores
Independentes S/C
Sao Paulo

From Chile

A total of 405,000 tourists arrived in Chile during 1981, a 3.5 percent increase compared with 1980. Traditionally, Argentina has contributed more than half of the total number of international arrivals. Because of Argentina's economic condition and a drastic devaluation of its currency, the number of Argentinians arriving in Chile declined 17.5 percent, while the number of tourists from all other countries increased an average of 18 percent.

During 1981, occupancy for Chile's hotels was 33 percent, a decrease of about 3 percentage points compared with 1980. The decrease is attributed primarily to the 17.8 percent increase in the room supply, most in second class hotels.

We are optimistic that hotel occupancy will increase as the result of government and private efforts to promote tourism.

Ramón A. Espejo F.
Ramón A. Espejo F.
y Asociados Ltda.
Santiago

From Colombia

During 1981, 1.3 million people visited Colombia, contributing to a nationwide hotel occupancy of 73.4 percent. The occupancy at principal destinations ranged from 66 percent to 87 percent. The excellent occupancy rate was achieved despite the addition of 1,756 rooms to the country's room supply. No significant price changes have occurred, and the average daily rate per person was 2,050 Colombian pesos (US$34.17).

In *Worldwide Lodging Industry 1981* we said that "Colombia continues to be one of the best tourist buys in the hemisphere" due largely to a favorable exchange rate. That comment can now be extended to the exhibition and convention market.

In 1981, two of the most modern convention centers in the Americas were opened in Colombia. In Bogota, the Gonzalo Jimenez de Quesada Convention Center offers 10,350 square meters of space on four levels with a capacity of 2,000 people. In addition to its multipurpose halls and meeting rooms, the complex has facilities for simultaneous translation, television, radio and telecommunications hookups, a communications room, closed circuit television, modern sound and light equipment, and restaurant and catering services for up to 4,000 persons.

The Cartagena International Convention Center has a capacity of 3,300 persons with an array of meeting halls and indoor/outdoor exhibition space. It features an auditorium seating 1,835 people, parking for 2,000 cars, translation services, and modern sound and light equipment.

The outlook for Colombia's tourism industry during 1982 is good as a result of a favorable exchange rate and the availability of first-class facilities.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

From Mexico

At the beginning of 1982, hotel prices were reduced 20 to 25 percent for wholesalers abroad due to the devaluation of the Mexican peso. Nonetheless, the reaction of the international market was marginal because of the recession in the United States and Europe.

Hotel occupancies increased because Mexicans canceled their trips abroad. Banamex estimates that from February 17 to March 31, 1982, the number of Mexicans traveling abroad declined 8 to 10 percent compared with the same period in 1981.

Mexicans also have canceled conventions scheduled outside the country and are holding them at various Mexican destinations. Still, the flow of internal tourism has not risen significantly because of the recession and a high rate of inflation. The inflation rate contributed to a 30 percent increase in hotel prices in Mexico during 1981.

A total of 8,304 new hotel rooms were added throughout the country during 1981, which represents a 3.5 percent increase. The total supply is 245,868 rooms.

Germán Maldonado
Maldonado, Duplán, Colina
y Asociados, S.C.
Mexico City

From Peru

During 1981, the supply of hotel rooms remained unchanged but hotel rates increased because of inflation.

EnturPeru, the government's hotel company, which operates about 33 small hotels throughout the country, has begun to modernize some of its principal facilities. These hotels serve the entire country, catering mainly to commercial travelers and Peruvian tourists.

Jaime A. Vasquez
Vasquez & Cia.
Lima

From Uruguay

Uruguay's economic growth of recent years declined during 1981 as a result of the worldwide recession and regional and domestic economic problems. Most tourists entering Uruguay have come from Argentina (91 percent during the 1980-81 summer season). However, because of economic conditions in Argentina and fluctuations in the exchange rates between both countries, the number

of Argentinians arriving here began to decline in mid-1981.

During 1981, 490,600 visitors arrived in Uruguay. Occupancies in commercial hotels in Montevideo, the capital city, ranged between 80 percent for the first half of the year and 40 percent during the second half. Occupancies in tourist hotels ranged between 90 and 100 percent in the 1980-81 summer season, but dropped sharply to 20 percent or less at the beginning of the summer season (December 1981). Occupancies during the 1981 off-season ranged between 10 and 20 percent. Some hotels in Punta del Este, the country's major beach resort area, actually ceased operations during the winter months. Average rates have ranged between US$40 and US$50 for the entire year.

The government's receptiveness to industrial development and unrestricted foreign exchange policies is making Uruguay an attractive spot for leisure time industry investments. But the industry's growth will depend on the cooperative efforts of the private and public sectors. Several hotel chains have been exploring the possibility of establishing facilities in Montevideo. By year-end 1981, the government's Tourist Office was prepared to receive bids to build a five-star hotel on Montevideo's shoreline. No international hotel chains currently operate facilities in Uruguay.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

From Venezuela

In 1981, hotel occupancy in Caracas increased to 84.1 percent from 80.8 percent in 1980. The occupancy for the lodging industry in the remainder of the country was 77.6 percent in 1981 compared with 76.9 percent in 1980. The average room rate increased 20 percent in Caracas and 20.5 percent in the rest of the country in 1981 compared with 1980.

The health of the lodging industry in Venezuela represents an important contribution to the nation's economy, which traditionally has been virtually dependent on the oil industry for revenue. The decrease in oil production and oil prices is perhaps a blessing in disguise for the tourism industry, since government officials may become more aware of the significant contribution made by the tourism industry to the national economy. It is hoped that the government will recognize the potential of the tourism industry and provide the necessary incentives, since more than one hotel development plan is now on hold waiting for permits, project approval and government guarantees for financing.

Juan A. Seif
Seif Valeri & Acosta
Caracas

From Central America

General Comments

Most of the region continues to be affected by political upheavals that seriously curtail tourism in Central America. Even those countries that are relatively peaceful are influenced negatively by the area's image of instability.

The troubled economies of countries in North and South America also have affected the area's economy adversely. No major tourism-related developments have been built during the past year and none are planned in the near future.

Political stability is the key to an improved tourism industry in Central America.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

From the Caribbean

General Comments

Political stability is emerging in the Caribbean, contributing to the efforts being made to restore the vitality of the area's tourism industry. However, the Caribbean's economic dependence on its neighbors has limited progress, since the United States, Central and South America are faced with recession.

The number of tourist arrivals from Europe has declined since commercial and charter airlines have reduced flights and increased airfares. The predominant market, the United States, has not been able to fill the void.

There was a slight upturn in the number of arrivals at certain destinations at the end of 1981, and it is hoped that this trend will continue during 1982. Considerable efforts are being made by private and public resources to promote the Caribbean's image as an inexpensive and excellent vacation alternative.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

From Antigua and Barbuda

The newly independent island republic of Antigua and Barbuda has embarked on an ambitious tourism development program in an effort to gain a greater share of the Caribbean tourist market. The program has been financed by a grant from the Banco do Brasil and is under the personal direction of Prime Minister Vere Bird.

MAKAP Projetos e Servicos de Exportacao Ltda., the Brazilian construction and development company, is spearheading a group of architects, engineers and consultants working on the development plan, which includes hotels, casinos, time-sharing units and marinas. The program is expected to be completed in record time and on a turn-key basis.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

Salvador F. Conti
Sonteconti Auditores
Independentes S/C
Sao Paulo

From Cuba

The Government of the Republic of Cuba has enacted Law/Decree No. 50, which opens the way for foreign investment in tourism facilities in Cuba.

The law provides for a maximum of 49 percent of foreign ownership under a corporate structure regulated by the laws of the republic, but explicitly gives autonomy under such laws to the companies formed under Law/Decree No. 50. The law allows for the repatriation of two-thirds of the earn-

ings of such companies and provides for ample tax exemptions from earnings. Furthermore, the law provides for free transit of foreign officials and functionaries operating for a company formed under the law. It is particularly important to note that the law states specifically the salary levels and compensations for Cuban personnel. A close examination of the law reveals that such salaries will be highly competitive with earnings in other Caribbean islands and in other tourist destinations, therefore allowing, hypothetically, for a greater opportunity to maximize profits.

This is a significant development in the island's involvement with tourism and may mark the reopening of Cuba to large scale tourism. In passing the law, the government has recognized the potential of the hotel and tourism industries as a generator of hard currency. Cuba could again become an important tourist destination in the Caribbean.

The Cuban government is preparing to start construction of a large tourist project in Cayo Largo, a key on the southern coast of Cuba near the city of Cienfuegos. The infrastructure calls for an international airport, which would allow stopovers of international flights and free port privileges.

Eliberto J. Gracia
Latin America Office
Laventhol & Horwath
Miami

From the Dominican Republic

The hotel and tourism industries in the Dominican Republic experienced an outstanding year during 1981.

About 500 first-class rooms were added to the room supply with the opening of the Camino Real Hotel in Santiago de Los Caballeros and the Club Mediterranee on the east coast. Construction continues on the Playa Dorada Holiday Inn, which is being developed by an engineering group headed by Ramon L. Pimentel.

More than US$200 million was brought in by the tourism industry, the third largest earner of hard currency for the country.

A total of 613,744 visitors arrived during 1981 (an increase of more than 8 percent compared with 1980), according to the Secretary of State for Tourism.

The newly elected government of Social Democrat Salvador Jorge Blanco is expected to continue to stress the importance of (and provide incentives for) the hotel and tourism industries. The smooth transition of power within the Social Democratic Party is expected to encourage local and foreign investors, enhancing the nation's balance of payments. The Dominican Republic is expected to continue to be one of the best tourism investment opportunities in the Caribbean.

Sotera A. Peralta
Sotero Peralta y Asociados
Santo Domingo

Europe

General Comments

During the last few years, a number of trends have affected Europe's hotel and tourism industries that have implications for future marketing strategies and the long-term profitability of these industries.

A major feature of the European scene is the enlarged European Economic Community (EEC), which now includes Greece. Spain and Portugal probably will join in the near future. These three countries accounted for about 47 million foreign tourist arrivals in 1980, which compares with the 89 million tourist arrivals recorded by all other EEC countries prior to the admission of Greece.

The extent to which the hotel and tourism industries will eventually affect the EEC is hard to project, but the admission of more countries with economies heavily dependent on tourism could increasingly influence how the community is viewed. In fact, the EEC has already appointed an additional commissioner, who is specifically responsible for tourism.

Europe's main demographic changes reveal very little increase in population but suggest a reduction in younger age groups, increases in the working age population, increases in older age groups and a decline in the size of families and households. Other emerging factors include earlier retirement and increases in two income households. While these represent a wide variety of factors, all will have some bearing on the future of European tourism.

In addition to the demographic changes, there is evidence that Europeans are experiencing an increase in leisure time. There is no guarantee this phenomenon will result in an upsurge in the number of people taking holidays, since there is keen competition from a variety of sophisticated home-based leisure products. There also is evidence of an increase in local community activities, usually involving recreational or outdoor pursuits.

Although the rate of growth for Europe's tourism industry is being maintained, lengths of stay are declining, the number of beached-based holidays are decreasing and tourists are increasingly using accommodations other than hotels.

The recession continues to affect convention and conference business. European hotel owners are beginning to realize that this segment of their market has been affected by revised airfare structures and routings and the advent of highspeed rail services, factors that contribute to a decline in overnight stays.

The effects of these trends on the hotel industry are bound to influence the extent to which aggressive marketing strategies will have to be pursued and flexible operational policies adopted. In the future, the profitability of European hotels will have to depend on a market that may not always automatically consider a hotel stay part of a journey and from hotel managers who are adaptable to the demands of the marketplace.

Hotel owners in Southern European tourist destinations, such as Greece, Italy, Southern France, Spain, Portugal and various Mediterranean islands, are expected to have a successful year. There is evidence of an increase in demand by Americans, and the number of British citizens traveling abroad also is expected to rise significantly.

Generally, it will be a challenging time for the European hotel industry, one that will require the full use of professional management resources.

Jonathan A. Bodlender
Horwath & Horwath (U.K.) Ltd.
London

From France

Tourism in France continued to increase during 1981. Overall air passenger traffic increased 8 percent. In Paris, the main port of entry for international traffic, the total number of air passenger arrivals rose 7.2 percent, corresponding to a 13.3 percent increase in domestic flights and a 4.6 percent increase in international arrivals. These results compare favorably with other European international airports.

Despite this activity, the tourism balance of trade declined 17 percent in 1981.

Demand for international class hotel accommodations in Paris recovered during 1981. Occupancy averaged 70 percent, up from 67.5 percent in 1980. Sales increased 16 percent compared with an 8 percent increase the previous year. Paris continues to rank first worldwide for international convention and meeting business. Four new international class properties with a total of 900 rooms opened in the city during 1981, and several first-class and budget facilities are planned or under construction.

Throughout the rest of the country, which caters mainly to the domestic market, occupancy remained at the 1980 level. Current growth in the room supply can be attributed primarily to development of two-star chains thoughout the country.

Investments in tourism declined 7 percent during 1981, reflecting the emergence of a "wait and see" strategy following the change in political leadership.

New economic and social measures that became effective in October 1981 have had an adverse effect on the hotel industry, particularly international class facilities. These measures include an increase in the minimum wage; extension of the holiday pay period; reduction of the number of hours worked; taxation of company expense accounts pertaining to restaurant, banquet, convention and meeting expenses, and an increase in the value added tax on first-class and deluxe hotel room sales from 7 percent to 17.6 percent. These reforms certainly will affect the profitability of some branches of the tourism sector, and may modify patterns of competition within the industry.

Restaurants also have begun to feel the effects of the new laws. However, for those properties catering to the international market, recent changes in exchange rates may partially compensate for the negative effects.

Fast food facilities are emerging as a significant sector of the restaurant industry, and have been especially successful in Paris and other major cities. This evolution led to the launching of the First International Fast Food Exhibition, held in Paris in early 1982.

René Amirkhanian
Horwath & Horwath France
Paris

From Germany

Total guest nights in Germany increased 2.5 percent to 256 million in 1981, according to the latest statistics available. International guest nights rose 7 percent to 24 million as a result of the upward trend of the U.S. dollar and general changes in exchange rates.

While income from foreign visitors increased 19 percent to 14 billion German marks, German travelers spent 40 billion marks abroad, 8 percent more than in 1980. However, as noted in previous years, Germans are discovering the leisure possibilities of certain parts of their own country. German-owned hotel groups with facilities in these areas reported revenue increases of 20 percent.

Bad domestic economic conditions are having a negative effect on the hotel and restaurant industries. Business travelers have turned to hotels charging lower room rates or higher-class hotels offering rebates. The restaurant industry is faced with increasing numbers of fast food restaurants. As restaurant prices rise, more and more social events are held in private facilities, which offer lower prices.

Altogether, the lodging industry reported revenue of 50 billion German marks in 1981, a 5 percent increase compared with 1980 that resulted mainly from inflation. Operating costs have been increasing faster than sales.

In the years ahead, the hotel and restaurant industries in Germany will find it increasingly difficult to maintain profits at a reasonable level. This will be complicated by the number of new first-class and luxury facilities planned.

Kurt R. Gelbert
Horwath & Gelbert GmbH
Frankfurt am Main

From Greece

The number of foreign visitors arriving in Greece increased about 6 percent in 1981 compared with 1980, as was anticipated in *Worldwide Lodging Industry Midyear Commentary 1981-1982*. This relatively small increase disguises some significant statistics when arrivals are analyzed by nationality. The number of visitors from Great Britain (the largest single volume generating country) increased 25.6 percent, and from the United States, 11.2 percent. The number of arrivals from Germany declined 9.8 percent.

Resorts, particularly in the islands, benefited most from the overall increase. But the small recovery in the North American market is a source of comfort to hotel owners in Athens, who are faced with some dramatic changes in supply. The 182-room Meridien opened in 1981, the 630-room Inter-Continental Hotel opened in April 1982, a 292-room Marriott is due to open in early 1983 and the small, luxury Astir Hotel is scheduled to open in October 1982. These international luxury-standard properties inevitably will create an imbalance at the upper end of the market. The extent of the imbalance and the length of time before the new capacity is absorbed will depend on the Greek economy and the ability of international operators to generate new markets, particularly conference and incentive business.

The long-term market potential for resorts continues to be promising. However, the new administration will have to continue to support tourism if Greece is to attract its share of this market. When this commentary was prepared, Parliament was debating new laws affecting investment incentives. In our opinion, the outcome of this debate will be crucial to the development of tourism in Greece.

Hercules D. Kontos
H. D. Kontos & Company
Athens

Dermot C. A. Mathias
Horwath & Horwath (U.K.) Ltd.
London

From Italy

There was a decrease of about 4 percent in the number of foreign tourist arrivals in Italy during 1981 compared with 1980. Domestic tourism increased about 1 percent.

A 20 to 25 percent increase in room rates has affected hotel occupancy and reduced the profitability of operations. Italian resorts continue to encounter much competition from Spanish and Yugoslavian facilities because of the lower rates in these countries.

A payroll agreement was negotiated and signed by hotel workers during 1981. Hoteliers believe the new agreement is costly but affordable.

Major international hotel chains are trying to find suitable properties to manage in Italy. Sheraton will operate a new 650- room hotel in Rome that is expected to open in 1983.

We are optimistic about 1982 and expect an increase in the number of foreign tourists.

Massimo de Rosa
Horwath & Horwath Italia sas
Rome

From Norway

The Norwegian hotel industry reported more variable results in 1981 than in previous years. In general, hotels in urban areas fared better than those in areas dependent mainly on the tourist trade. As a result of the decrease in profitability caused by declining occupancy and rising costs, more tourist and mountain hotels have been offered for sale than usual. It is expected that 1982 will be another difficult year for certain segments of the industry.

During the past several years, a substantial portion of hotel investments have been financed either by loans and grants from the Regional Development Fund or by investors with allocations under the District Development Taxation Act. Many invested with the idea of cutting their tax liabilities rather than realizing profits. As a consequence, many projects were undertaken that would not have been built without such incentives, leading to overbuilding and excess capacity. This has contributed to the reduction in the overall profitability of the industry.

However, the managements of many well-run hotels are seeking new ways to attract business. There also is a significant trend toward establishing hotel chains comprising individually-owned independent facilities.

Olai Lorange
Lorange og Braende
Oslo

From Portugal

The performance of Portugal's lodging industry during 1981 was less favorable than in 1980, when the highest occupancy levels ever were recorded for the country's hotels. The average occupancy for mainland Portugal plus Maderia and the Azores was slightly more than 63 percent. Occupancy levels for individual areas were the Algarve, 64 percent; Maderia, 68 percent, and Lisbon, 74 percent.

Although all foreign visitor arrivals in 1981 reached 7.3 million, an increase of 4.3 percent compared with 1980, by excluding Spanish visitors, who account for a high percentage of border crossings, other foreign arrivals totaled only some two million visitors or an increase of 3.4 percent.

Prospects for 1982 are encouraging, especially for Portugal's traditional markets. Figures for the first quarter of 1982 show increases over 1981 in the West German market (from a decline of 23.7 percent in the first quarter of 1981 to an increase in 1982 of 2.4 percent); France (a 2.8 percent increase in 1981 compared with a 4 percent increase in 1982); Netherlands (a 6.4 percent decline in 1981 compared with a 13 percent increase in 1982); United Kingdom (a 1.1 percent increase in 1981 compared with an 8 percent increase in 1982, and Sweden (a 22.5 percent increase in 1981 compared with a 25 percent increase in 1982). The United States market has shown some signs of decline. Overall totals (excluding Spanish visitors) for the first quarter of 1982 are up 7.8 percent compared with 1981.

The Spanish market does not have a particularly marked effect on hotels but is important for guest houses and other accommodations. There was a 3.5 percent decline in frontier traffic during the early part of 1982 compared with an increase of 32 percent for the same period of 1981. There are several possible explanations for this disparity, namely, the unwillingness of the Spanish to travel to Portugal until the scheduled May visit of Pope John Paul II and their desire to remain in Spain for the 1982 World Cup football series. Other possible factors include a degree of political uncertainty in Spain and the Portuguese decision not to subsidize basic commodities, which create conditions for price increases.

Portugal has mounted a very well-organized marketing campaign for 1982. It is projected that the hotel and tourism industries should have an interesting and stimulating year, whatever the results of operational statistics.

Humberto Leal
Cienta Lda
Lisbon

Edward J. G. Davies
Horwath & Horwath (U.K.) Ltd.
London

From the Republic of Ireland

Less than half of the country's hotels are reported to have made a profit in the last two years, despite the sustained growth experienced in the hotel and tourism industries during the 1970s. In 1981, hotel revenue declined 4.1 percent in real terms. Overall bed occupancy was only 37 percent in 1980 and may have declined further since then. From September 1981 to April 1982, about 1,000 permanent jobs in the lodging industry were lost, and even larger numbers of seasonal jobs have not materialized.

Several hotels have changed ownership, a few have closed and a number are for sale. It is uncertain if the new Dublin City Centre Hotel (under development in early 1982) will proceed as planned, be substantially reduced in scope or be abandoned.

Many factors contribute to the current situation, including:

- The continuing severe recession in the republic and in its major market countries, particularly Great Britain.
- Price resistance resulting from the high rate of inflation in the Republic compared with its major market countries. The inflation rate has been fueled by significant increases in the value added tax, from 10 percent to 18 percent (the highest VAT in Europe) in less than a year.

■ Continued political unrest in Northern Ireland.

The lodging industry has responded to the current situation. The government is under pressure to lower the VAT and reintroduce repairs and renewal grants. Some hotels are being refurbished (in an attempt to win back customers) and all are closely reviewing the value of the services offered. However, many hotels have had to cut back on services. Price increases generally are substantially below the nation's inflation rate.

Bord Failte (the National Tourist Board) is very active. A major promotional campaign in North America is expected to result in a 5 to 10 percent increase in that market and some growth is expected in the domestic market. The board projects an increase of 4 percent in tourist arrivals during 1982. However, a trend toward late bookings makes such forecasting progressively difficult.

Various regional tourism organizations are examining ways to assist the industry. The progressive Council for Education, Recruitment and Training continues to offer a number of valuable services to the hotel and tourism industries.

The long-term outlook of quiet optimism for these two industries has been temporarily displaced by a concern for the immediate future.

J. B. Weinberger
Horwath, Haughey, Boland & Company
Dublin

From Spain

Spain hosted the June 1982 World Cup football finals, an event that is expected to have an impact on the hotel and tourism industries beyond the month-long competition. Many of Spain's principal cities and tourist destinations have launched promotional campaigns that capitalize on the World Cup. Areas where games were played have improved facilities and amenities that will be of lasting benefit.

Spanish television sponsored several competitions with high cash prizes to promote the World Cup and highlight the importance of the event and its commercial benefit to Spain. Other events related to the tourism industry that promote Spain and the 1982 World Cup have been RODATUR (Holiday Making by Road and Rail) and FITUR (International Tourist Sector Contracting Exchange).

As a result of these advertising and promotional programs, the Spanish Economic News Service estimated that the World Cup will bring in 140,000 million pesetas from tourism activities; 2,000 hotels will be used in which 200,000 (or perhaps even 300,000) beds will be occupied, and 1.2 million visitors will travel to Spain solely for the competition. The majority of these visitors will spend a single night in one of 14 cities used for the competition and one-quarter of the visitors attracted by the competition will spend a fortnight in Spain.

We hope to provide official figures relating to the competition in a future issue of *Worldwide Lodging Industry* to gauge how such an event benefits a nation's tourism industry. The competition certainly will be a boost for Spain's tourism industry during June, normally a quiet month between the spring and summer high seasons.

Apart from the World Cup, two other factors are relevant to the hotel and tourism industries:

■ The 1982 rates for low interest, long-term loans for building or refurbishing hotels (Credito Hotelero) have been revised to 1,750,000 pesetas (US$17,500) per room for five-star units and 550,000 pesetas (US$5,500) for one-star units.

■ Transmediterranea, the state steamship company, is introducing a new service that will link the French city of Sete with the Balearic Islands from June to September. There will be two sailings per week calling at Palma and Ibiza. The service could be of local significance in the Balearics.

The Secretariat of State for Tourism has been alloted 7,010 million pesetas (US$70 million) from the State General Budget for 1982, and 1,928 million pesetas (US$19 million) of that sum is for tourism promotion. The secretariat's total budget represents only 0.2 percent of the national budget.

Fernando Termes Anglés
Horwath & Horwath España S. A.
Barcelona

Jonathan A. Bodlender
Horwath & Horwath España S. A.
Barcelona

From Sweden

Overall occupancy levels in Swedish hotels increased slightly during 1981, with hotels in major cities registering higher rates of increase. In Stockholm, occupancy increased from 68 to 71 percent, while in Gothenburg and Malmoe, levels increased two percentage points. Motor hotels and hotels in suburban areas also reported increases, but occupancies at urban hotels outside the major city centers declined.

Resort hotels recorded a 3.1 percent increase in room demand in 1981. This resulted in part from the opening of new hotels in mountain areas. Swedish resort hotels also have become more popular with foreign tourists, a trend that is expected to continue in 1982.

Interest in computers and hotel information systems is growing rapidly among Swedish hoteliers. One major hotel chain plans to install 12 systems during 1982, and many privately owned and operated hotels also are evaluating and installing systems. However, few computer and information systems are available on the Swedish market, and many of the major international companies that offer such systems are not represented here.

Investors are actively seeking hotel projects in the major cities and regional capitals. Traditionally, hotels in Sweden have been financed with a high proportion of loan capital, even by international standards. However, high interest rates have created a trend toward financing hotel projects with a greater proportion of equity.

Attitudes in Sweden toward tourism are changing rapidly as industry leaders become aware of its economic potential. A recent sign of this trend was a seminar staged by the Swedish Tourist Board in conjunction with the Federation of Swedish Industries.

Kai Ringenson
Horwath & Horwath Sweden AB
Stockholm

From Switzerland

A record 79 million guest nights were recorded in Switzerland during 1981. The total included 39.8 million for Swiss guests and 39.2 million for foreign visitors, who came mainly from Germany (44.8 percent), the

Netherlands (11.1 percent), France (7.8 percent), Belgium (7.4 percent), Great Britain (6.3 percent) and the United States (5 percent). There were fewer tourists than expected from Germany. As a result, promotional campaigns were initiated in that country, although financing such programs is becoming more difficult.

Guest nights increased 2.5 percent overall during the 1981-82 winter season. The primary sources for the increase were Great Britain, up 35 percent; United States, 30 percent; Scandinavian countries, 15 percent; Japan, 10 percent; Italy, 8 percent, and Holland, 1 percent. During the winter season, decreases were registered by Germany, down 5 percent; Latin America, 18 percent; Austria, 8 percent; France, 2 percent, and Belgium, 2 percent.

Swiss hoteliers view the 1982 summer season with some reservation. Resort owners expect fewer guest nights than during the previous summer. To some extent, the strong Swiss franc is a barrier for the lodging industry. A substantial number of tourists come from Germany. If the German and Swiss currencies move diametrically, it could have an adverse effect on Switzerland's hotel industry. Although currencies and weather conditions are uncertainties, the 1982 summer season is expected to be reasonably successful. Contributing to this outlook are such factors as Switzerland's quality service, an increase in tourist facilities, political stability, excellent cuisine and easy access for foreign tourists arriving via air, rail and road.

Swiss officials and hoteliers recognize that tourism development must be based on policies that are ecologically sound. Switzerland's beautiful landscape is the basis for the success of the country's hotel and tourism industries.

Ruedi F. Fleischmann
Horwath Treuhand & Revisions AG
Zurich

From the United Kingdom

An increase in the number of overseas arrivals, which has resulted in improved occupancy levels for London hotels, suggests the beginning of a recovery and an upturn in the cycle of operation. London traditionally has been recognized as a good initial indicator of hotel performance, and the upward trend is expected to reach the provinces as well. However, currency fluctuations show that 1982 could be another "bumper year" for outbound tourists. To maintain the balance with incoming tourists, U.K. hoteliers and tourism officials will have to aggressively market their country abroad.

This is the second year that tourism within the U.K. has been affected by the recession and many hotel and catering owners have reexamined their management styles, emerging leaner but more fit to respond to future developments. One danger is the extent to which a continued recession could break the "holiday habit." The hotel and tourism industries need to pool their ingenuity to prevent the emergence of any trend in this direction. As in the rest of Europe, home-based activities and spending for consumer goods continues to affect the distribution of disposable income. There are many ways that consumers can enjoy their leisure time, so development of the hotel and tourism industries cannot be taken for granted--it must be earned.

To show a profit during 1982-83, hotel owners will have to increase their marketing efforts and concentrate on ways to reduce operational costs, especially for energy. It already has been demonstrated in the U.K. that large savings can be generated by conserving energy, so energy management must become an important factor in hotel operations.

The prospects for the future are varied but the outlook is encouraging and full of challenges for the professional manager.

Edward J. G. Davies
Horwath & Horwath (U.K.) Ltd.
London

HORWATH & HORWATH INTERNATIONAL

North America

From Canada

During the first half of 1981, Canadian lodging industry officials generally were encouraged. The market began to decline in the third quarter, however, and demand continued weak through the fourth quarter. As a result, annual occupancy levels fell below 1980 results in six of the nine regions covered by Laventhol & Horwath's (Canada) *Trend* report.

Calgary experienced the most severe decline, a reflection of the downturn in the gas and oil industries. Weak demand, primarily in the fourth quarter, led to marginal declines in Toronto, Montreal and Edmonton, where occupancy declined two percentage points from 1980 levels. The depressed demand, attributable to the recession's negative impact on business travel, affected Vancouver as well, with 1981 occupancy levels five percentage points below 1980. Only Ottawa and Halifax recorded increases, both ending 1981 two percentage points over 1980 levels.

Results for the first quarter of 1982 were not encouraging. Nationally, occupancy levels were five percentage points lower than in 1981. On a regional basis, Calgary and Edmonton experienced declines of 19 and 10 percentage points respectively, and other regions reported demand was down three percentage points or more. Demand appeared to be stabilizing and, in some regions, strengthening in the second quarter.

Initial reports indicate that tourist arrivals will not match 1981 levels, despite the strength of the American dollar relative to the Canadian dollar. Additionally, economic recovery in the United States and Canada now appears unlikely until the first half of 1983. Accordingly, hotel occupancy levels across Canada are likely to be 5 to 10 percentage points below 1981 levels. However, the lodging industry continues to perform significantly better than most sections of the Canadian economy.

Although many capital expenditure programs have been delayed due to rising interest rates and declining occupancy levels, a number of major national and international chains are

planning significant expansion programs. The mid-1980s should be a period of steady growth in the number of new hotel properties across Canada.

Cameron S. Hawkins
Laventhol & Horwath
Toronto

From the United States

As the United States economy continued to be affected by the recession during 1981, the nation's lodging industry was hit with both lower occupancy rates and lower profit margins. For nearly 30 consecutive months, occupancy has dropped about 2-3 percent below year earlier levels

As shown in the accompanying table, for the first five months of 1982, the decline has been fairly widespread, affecting all of the various industry categories. This decline in occupancy, together with the recent slowdown in room rate increases, has kept total revenue increasing at only modest rates so far this year.

However, we have seen some optimism in recent discussions with the management of several of the leading hotel chains. The current general availability and price stabilization of gasoline is considered a favorable factor. The recent tax cut, the second phase of which became effective July 1, 1982, also has been cited as a source of additional income for consumers. Recently, the index of leading economic indicators, which tends to precede changes in the overall economy, has risen for three consecutive months, indicating that a turnaround could be coming soon.

The problem that still constrains the economy and the lodging industry in particular is the high rate of interest. Until the financial community is convinced that government spending is going to be held in check, there is the prevailing fear that inflation will rise again. In the meantime, high interest rates are curtailing consumer spending and inhibiting construction of new lodging properties. A recently completed study commissioned by Laventhol & Horwath, entitled *Financing the Lodging Industry: Players and Techniques of the 1980s,* takes an in depth look at how funds are currently being provided and some of the changes in financing techniques. The tremendous increase in creative financing methods, including permanent mortgages with lender ownership, seller financing and limited partnerships, has helped to surmount the problem of the high rate of interest.

There are some trends that should benefit the lodging industry. Productivity appears to be improving for the first time in more than a decade. Demographic trends in particular indicate a considerable increase in the age and income groups that are the primary sources of lodging demand.

As the overall economy begins to improve, we look for renewed growth in the U.S. lodging industry during the next two to three years.

Saul F. Leonard
Laventhol & Horwath
Los Angeles

UNITED STATES: YEAR TO DATE TREND REPORT (as of MAY 1982)

	Sales Percentage Change			Occupancy Rate		Double Occupancy Rate		Room Sales Per Occupied Room	
	Total	Rooms	F&B	MAY	% Chg	MAY	% Chg	MAY	% Chg
Total U.S.A.	4.6	4.9	3.8	65.3	−3.7	51.8	0.2	$49.63	8.4
Affiliation:									
Chain	4.3	4.8	3.0	66.3	−3.7	50.2	0.5	$48.24	8.0
Independent	5.7	5.3	6.4	61.1	−4.1	57.7	−0.3	55.69	10.1
Area:									
Northeast	6.3	6.2	6.5	66.0	−3.0	34.0	−1.7	$67.17	9.2
Southeast	3.7	3.2	4.9	68.8	−4.7	86.1	0.8	55.10	7.6
North Central	1.8	2.8	−0.3	56.3	−4.3	39.8	4.4	35.23	7.2
South Central	4.4	5.0	2.9	69.5	−3.4	41.2	−1.5	47.93	8.4
West	7.0	8.2	4.5	69.5	−2.9	54.3	0.3	46.84	9.6
Location:									
Center City	3.1	3.0	3.2	63.2	−4.6	39.2	−0.7	$62.38	7.5
Suburban	2.4	3.2	1.0	64.7	−5.0	41.1	−0.6	43.71	8.7
Highway	5.2	6.3	1.9	63.8	−3.7	62.5	0.3	33.28	9.8
Airport	6.8	7.4	5.5	71.1	−1.7	37.6	−0.3	46.12	7.9
Resort	8.2	8.1	8.2	69.7	−1.9	93.2	0.7	64.71	8.8
Size:									
Under 150	5.5	6.5	2.2	64.1	−4.2	57.6	1.0	$32.73	10.7
150 TO 299	4.0	4.9	2.2	65.4	−2.9	50.7	−1.4	44.50	7.5
300 TO 600	3.5	3.7	3.3	65.8	−4.5	50.1	1.9	57.19	7.5
Over 600	5.9	5.2	7.3	66.3	−3.8	49.8	−0.1	75.62	9.0
Type:									
Hotel	4.6	4.6	4.7	66.3	−3.9	46.9	−0.3	$62.42	8.0
Motor Hotel	4.3	5.4	1.9	65.9	−2.9	58.2	1.0	40.99	8.0
Budget	5.7	6.2	−5.9	60.0	−5.6	56.7	−0.6	23.85	12.5

Source: *National Trend of Business in the Lodging Industry,* Laventhol & Horwath

The Worldwide Lodging Industry Report

by

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Laventhol & Horwath

Introduction

In December 1981 and January 1982, Horwath & Horwath International (HHI) distributed nearly 2,000 questionnaires to hotels around the world. Nearly 650 of these questionnaires were completed and returned to the Research, Development and Education Division of Laventhol & Horwath, an HHI affiliate firm. After careful review for reasonableness and accuracy, 575 questionnaires were selected for use in compiling the data for this report.

Table 1

Section	Region and Subregions
I	*Africa and the Middle East (Region I)*
	Northern Africa
	Southern Africa
	Middle East
II	*Asia and Australasia (Region II)*
	Asia
	Far East
	Pacific Islands
III	*North America (Region III)*
	Canada
	United States
	Caribbean
IV	*Europe (Region IV)*
	Continental Europe
	Scandinavia
	United Kingdom
V	*Latin America (Region V)*

The 12th edition of *Worldwide Lodging Industry* is significantly different from previous editions. For the first time, the analysis contained in this report is presented in a regional format. We have restructured the data so that there are five sections each covering a different region of the free world. Together, these sections form the 1982 edition of *Worldwide Lodging Industry*. Table 1 shows the various sections and the respective geographic areas they cover.

In addition to the information for the five regions, this year's report contains amounts and ratios for 12 subregions that are presented within their appropriate regions. These changes were implemented to provide contributors with data that more closely reflects the operating characteristics of hotels in their regions. Exhibits have been eliminated, merged or redesigned to highlight the key performance measures of these areas. As in previous editions, medians are shown for most amounts and ratios, while arithmetic means are used in selected schedules.

The terminology and account titles used in this study are based on the seventh revised edition of the *Uniform System of Accounts for Hotels*. An explanation of the terms and bases used is given in Appendix 2 (page 83).

All amounts in this report are in 1981 U.S. dollars converted at the year-end exchange rate, which was obtained from the International Monetary Fund. The countries containing hotels that contributed to this year's study, along with the currency conversion factors used, are listed in Appendix 1 (page 80). The reader is cautioned that fluctuations in currency

values can have an impact on the U.S. dollar values presented in this study. For example, the relative value of the U.S. dollar was weak in 1980 when compared with some currencies used in the generation of last year's report. However, the reverse was true in 1981, when the U.S. dollar rebounded to a very strong position against those same currencies. When comparing this study with the 1981 edition, those currency fluctuations should be considered. To make this comparison easier for the analyst, Appendix 1 also shows the currency conversion factors used in last year's study and the percent change from 1981 to 1982.

Dollar amounts are shown on a per-available-room basis to eliminate differences due to the size of the hotels. Ratios to total sales and to room sales are used wherever appropriate. Except where noted, all amounts and ratios are medians and do not necessarily add to the totals shown. Each line item has been analyzed separately and the medians are based on the information submitted for that line item only, since all hotels did not report data for each line. Comparisons can be made line by line with the information in the reader's report. The amounts and ratios should not be considered standards for any type of property or for any country or region, but only guidelines for comparison with the operating results of a specific property. They are not an attempt by Horwath & Horwath International to set or conform prices or operating ratios for the industry.

Profile of contributors

The age, size and other characteristics of the typical contributor to this study, as determined by various measures of central tendency such as the mean, median and mode, are shown in Exhibit 1. Overall, the contributors represent a broad sample of the industry, but as shown in this exhibit, the typical contributor is particularly representative of the major segments of the industry.

The highlights of the analysis of operating results are presented in Exhibit 2. Most of the industry's key performance measures declined during 1981, primarily because of the slowdown in economic activity around the world and the resurgence of the U.S. dollar. With the drop in occupancy rates and only a modest increase in room rates, total revenue per room failed to reach the previous year's levels by a

Exhibit 1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
All Hotels

Criteria	Category of Typical Contributor
Age	Built between 1970 and 1980
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	$40–$54.99
Restaurant Operation	Operated a restaurant in which the volume of food and beverage sales is between 65% and 90% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before income tax in 1980

Exhibit 2
Highlights*
All Hotels

- Total revenue decreased 2 percent on a per room basis.
- Room occupancy declined 3.4 percent to 68.4 percent compared with 70.9 percent in 1980.
- The average daily rate per occupied room was $49.78 compared with $49.20 in 1980, an increase of 1.1 percent.
- Payroll and related expenses per room declined 25 percent from $10,662 to $7,996.
- Income before income taxes decreased 9.1 percent on a per room basis, although sales dropped only 4.6 percent.

*Based on medians.

small margin. This decline in asset utilization resulted in a decline in profit margins for the year.

The source and distribution of the 1981 worldwide lodging industry dollar compared with the previous year are shown in Chart 1. To accurately reflect the impact stemming from different size properties, the dollar is based on weighted means. As the chart illustrates, the portion of revenue coming from room sales, food sales and rentals increased slightly, while beverage sales and revenue from minor operated departments declined by a small margin. On the expenditure side, beverage cost, rent and property operation and maintenance expenses showed significant declines. This was offset by increases in energy, marketing and administrative and general expenses. Interest expenses also increased during the year, reflecting the impact of high interest rates throughout 1981. Because of these increases, income before income taxes dropped from 12.9 percent in 1980 to 12.5 percent in 1981.

Market data

The percentage of guests from domestic sources continued the upward trend that began in 1978, climbing nearly 26 percent during the three-year period to 47.1 percent by 1981. After three straight years of steady growth in the percentage of repeat business, there was a reversal in 1980 when it fell almost to the 1977 level. The percentage of guests traveling for pleasure once again dropped sharply in 1981, by more than 21 percent. In the five-year period beginning in 1977, the average annual decline in the tourism market has been an astounding 9.4 percent. Although tourism was weak, all other categories in the composition of the market increased in 1981. Conference participants showed the largest jump, from 10.8 percent in 1980 to 13.5 percent in 1981. Travel agents and tour operators again lost a portion of their share of the market, while advance reservations made directly to hotels continued a gradual upward climb. The five-year comparison is shown in Exhibit 3.

Exhibit 3
Market Data*
Five-Year Trend—All Hotels

	1981	1980	1979	1978	1977**
Source of Business					
Domestic	47.1%	46.1%	42.8%	37.4%	42.5%
Foreign	52.9	53.9	57.2	62.6	57.5
Percentage of Repeat Business	37.8%	40.0%	38.2%	35.7%	37.4%
Composition of Market					
Government Officials	6.8%	6.1%	6.2%	5.5%	5.7%
Businessmen	44.6	42.0	40.5	40.2	42.0
Tourists	24.2	30.7	30.9	33.5	35.9
Conference Participants	13.5	10.8	12.8	10.7	12.6
Other	10.9	10.4	9.6	10.1	3.8
Percentage of Advance Reservations	83.4%	80.0%	79.3%	80.8%	80.6%
Composition of Advance Reservations					
Direct	35.5%	35.3%	33.1%	29.9%	35.5%
Reservation Systems	26.5	27.4	27.1	24.9	23.2
Travel Agents & Tour Operators	26.8	27.7	28.5	32.3	30.5
Other	11.2	9.6	11.3	12.9	10.8
Ratio of Travel Agent Commissions to Room Sales	1.0%	1.8%	1.8%	2.2%	1.6%

*Arithmetic mean.
**1977 ratios exclude the U.S.

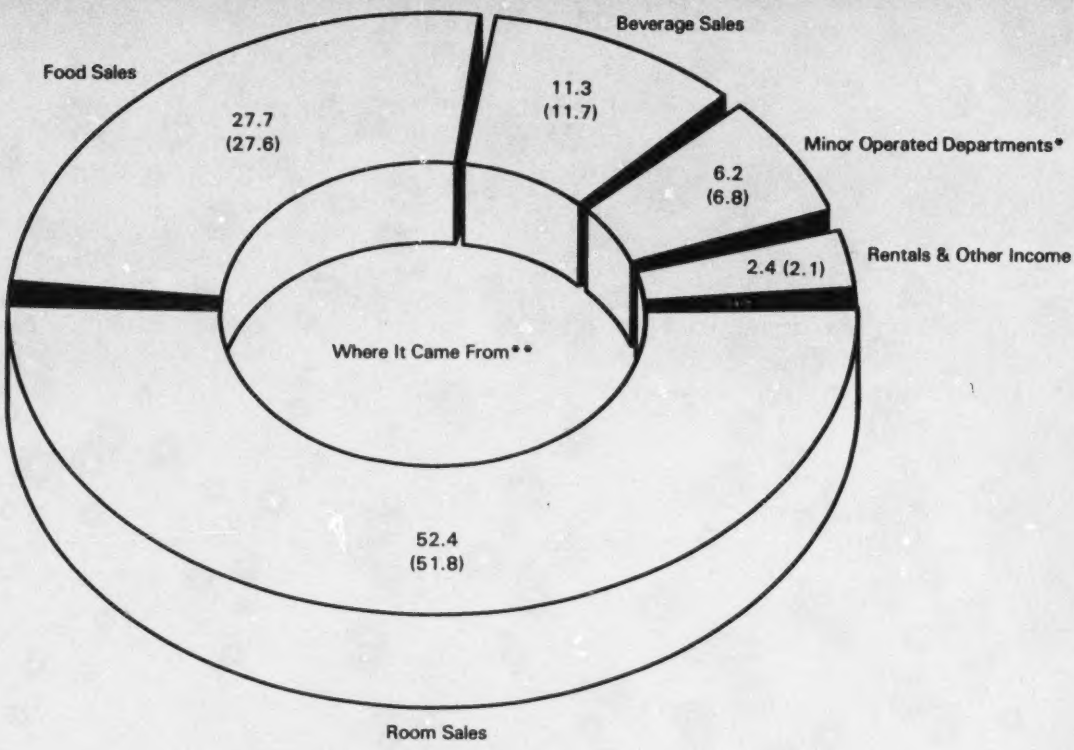
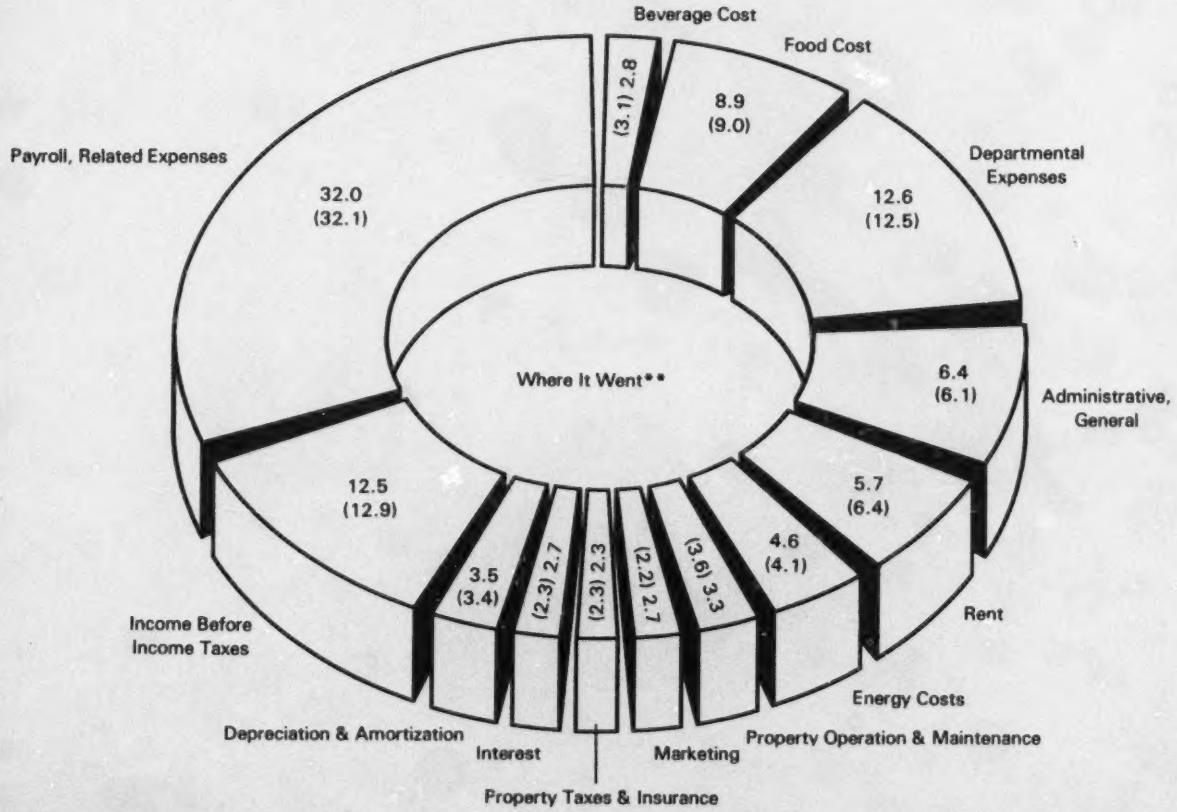


Chart 1: International Hotels
Percentage Distribution of Revenue and Expenses



*Including Telephone.
**1980 Percentage in Parentheses.

The source of business and composition of the market for the regions are shown in Exhibit 4. The percentage of foreign travelers was greater than that of domestic travelers in every region except North America. However, relative to 1980, the percentage of domestic travelers was up sharply in Africa and the Middle East. Compared with 1980, the percentage of conference participants increased in three regions during 1981, with a substantial increase reported in North America. The percentage of business travelers rose in most regions, with Africa and the Middle East showing the largest increase. The percentage of advance reservations was up over 1980 in all regions, with the sharpest increase again registered in North America.

Exhibit 5 shows the nationality of guests by region. In 1981, only Scandinavia and Mexico showed major ranking changes, both dropping considerably. Middle Eastern and Japanese travelers moved up slightly in the rankings, while most other nationalities remained near their 1980 level, with the first four positions unchanged. Although their ranking did not change, the percentage of British travelers continued to increase sharply, reaching 11.3 percent of the total in 1981, up nearly 12.4 percent from 1980. The U.S. traveler's domination of the top ranking became even more pronounced in 1981. Reversing a five-year trend, the percentage of travelers from the U.S. increased sharply from the 1980 level, climbing more than 9 percent. Favorable currency exchange rates for the U.S. dollar in 1981 encouraged U.S. citizens to travel outside of their national boundaries once again.

Since Exhibit 5 can be used as a guide to destinations preferred by the citizens of the countries listed, it provides information that should be particularly useful in developing marketing strategies. Hotels within a specific region may want to reinforce the attractiveness of their area to nationalities who already are frequent visitors or market their area to nationalities who generally do not travel to that region.

Exhibit 4
Market Data*
All Hotels

	All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
Source of Business						
Domestic	47.1%	31.6%	29.1%	76.1%	48.0%	45.6%
Foreign	52.9	68.4	70.9	23.9	52.0	54.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Repeat Business	37.8%	26.5%	35.6%	46.1%	40.2%	39.6%
Composition of Market						
Government Officials	6.8%	14.8%	5.7%	6.3%	2.6%	7.1%
Businessmen	44.6	42.4	42.8	37.0	48.4	63.1
Tourists	24.2	21.6	32.9	21.2	24.5	18.2
Conference Participants	13.5	6.1	6.7	26.2	14.5	8.3
Other	10.9	15.1	11.9	9.3	10.0	3.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Percentage of Advance Reservations	83.4%	78.3%	82.1%	84.9%	85.9%	83.1%
Compositions of Advance Reservations						
Direct	35.5%	28.5%	24.5%	40.9%	42.0%	35.8%
Reservation Systems	26.5	30.3	29.1	25.8	21.2	39.4
Travel Agents & Tour Operators	26.8	28.6	33.4	19.7	27.9	20.1
Other	11.2	12.6	13.0	13.6	8.9	4.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ratio of Travel Agent Commissions to Room Sales	1.0%	.7%	1.1%	.8%	1.3%	1.3%

*Arithmetic mean.

Summary

In 1981, room occupancy declined for the second straight year, falling more than 3 percent below the 1980 level. Contributing to this drop in demand was increased room capacity combined with external factors such as the deepening worldwide recession, inflation, political unrest and instability, and the variability of currency exchange rates. Although the average daily room rate rose slightly to $49.78 in 1981, both total revenue and net income before income taxes fell dramatically, with net income dropping 22 percent. In the first part of 1982, travel patterns continued to be influenced by currency exchange rates. Apparently, highly favorable exchange rates encouraged more Americans to spend their vacations abroad while the opposite was true in many other countries, as indicated by the rise recorded in domestic travel.

In times when economic growth is slowed by recessionary pressures, lodging properties must capitalize on local events and use innovative marketing ideas to attract additional guests. World Cup soccer in Spain, the World's Fair in the United States and the Asian games in India are examples of 1982 events that can be used as showplaces for creative hotel marketing concepts. Also, new features in the leisure time industry, such as time-sharing in resort properties, are beginning to be used successfully.

Even though many countries continue to struggle with sluggish economies, some recent developments indicate improvement is on the horizon. Several industrialized nations have begun to curb inflation and increase productivity, and the output of goods and services also has shown signs of positive growth. The supply of oil is still plentiful, with world market prices even declining slightly. These trends point to renewed vitality in the worldwide lodging industry in the second part of 1982.

Exhibit 5
Nationality of Guests—1981*
All Hotels

	Rank		All Hotels	Africa and the Middle East	Asia and Australasia	North America	Europe	Latin America
	1981	1980						
American	1	1	24.2%	14.0%	14.0%	65.0%	13.7%	20.2%
British	2	2	12.7	13.5	7.2	2.4	21.1	5.7
German	3	3	9.5	6.8	5.3	1.2	18.0	4.1
Other European	4	4	7.4	8.0	6.2	2.4	10.4	5.3
French	5	6	6.6	14.7	3.9	.9	6.9	2.6
Middle Eastern	6	9	5.3	15.9	3.2	.7	3.5	.9
Canadian	7	7	5.2	1.6	1.9	19.6	1.7	2.0
Japanese	8	10	4.8	3.1	16.6	1.3	2.9	1.3
Scandinavian	9	5	4.7	1.6	1.0	.6	10.7	1.7
Other Asian	10	8	4.5	4.5	16.5	.6	1.7	.6
Australasian	11	14	3.8	1.2	18.9	.1	.8	.2
South American	12	13	3.7	.6	.8	1.5	1.4	47.8
Italian	13	12	3.2	5.4	2.7	.5	3.8	1.5
Other African	14	15	2.0	6.7	.4	.1	1.3	.1
Central American	15	16	.9	.6	.7	1.0	.6	4.2
Mexican	16	11	.8	.3	.3	2.0	.5	1.5
North African	17	17	.7	1.5	.4	.1	1.0	.3

*Arithmetic mean.

Section I
Africa and the Middle East

Using the various measures of central tendency, the typical contributor from Africa and the Middle East is identified and defined in Exhibit I-1. Subregions detailed in this section are Northern Africa, Southern Africa and the Middle East. The highlights of the analysis of operating results are presented in Exhibit I-2. The properties in this region reported declines in both occupancy and average daily rate per occupied room. However, because of increases in revenue from food and beverage sales and other departments, total revenue and income before fixed charges per room rose substantially during 1981.

Exhibit I-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Africa and the Middle East

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	Over $70
Sales Volume	$4 million–$8 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 85% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; raported net income before tax in 1981

Exhibit I-2
Highlights*
Africa and the Middle East

- Total revenue increased 19.3 percent on a per room basis.
- Room occupancy dropped 2.9 percent to 66.5 percent compared with 68.5 percent in 1980.
- The average daily rate per occupied room was $50.90 compared with $51.76 in 1980, a drop of 1.7 percent.
- Payroll and related expenses per room rose 11.2 percent from $6,747 to $7,500.
- Income before income taxes increased 50.8 percent on a per room basis, although sales rose only 9.3 percent. The ratio to total sales increased slightly to 12.6 percent.

*Based on medians.

Performance measurements

As shown in Exhibit I-3, median total sales per available room fell in both Northern and Southern Africa, but there was a surprisingly sharp increase in the Middle East, where sales rose 31.5 percent. This increase resulted from a particularly strong performance by the newer and smaller properties in the area.

The decline in revenue per room in Northern and Southern Africa resulted in a decline in income before fixed charges per room for both areas, but in properties in Southern Africa, net income before taxes per room increased substantially. Profit margins in Northern Africa were particularly high in both 1981 and 1980, with the ratio of income before fixed charges to room sales and total sales exceeding industry performance by a wide margin.

Occupancy and average rate

Occupancy rates were considerably higher for properties in Northern Africa than for those in either Southern Africa or the Middle East, as shown in Exhibit I-4. Properties in Northern Africa also reported a much higher number of guests per room than those in either of the other two areas. However, even though hotels in the Middle East experienced a low number of guests per room, the average daily rate in properties in this subregion was among the highest reported by any hotels in this year's study. Length of stay declined during 1981 for the properties in the Middle East, but increased for those in Northern Africa and nearly doubled for properties in Southern Africa.

Analysis of sales

The composition of sales for Region I is illustrated in Exhibit I-5. Guest room rentals contributed a slightly higher portion of sales in properties located in the Middle East than for those in the other areas, but beverage sales were particularly strong for properties in Southern Africa. Minor operated departments also produced a significant portion of revenue for properties in Southern Africa.

Exhibit I-3
Comparison of Sales and Profitability*
Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1981	1980	1981	1980	1981	1980	1981	1980
Amounts Per Available Room								
Total Sales	$29,241	$26,752	$30,874	$35,967	$20,428	$26,450	$35,183	$26,752
Income Before Fixed Charges	7,175	6,716	11,131	12,402	3,996	5,768	7,646	7,031
Net Income** or (Loss)	$ 3,982	$ 2,939	$ 3,932	$ 4,391	$ 1,648	$ 1,108	$ 5,532	$ 4,090
Ratio of Income Before Fixed Charges								
Room Sales	55.9%	51.3%	74.0%	90.9%	44.5%	38.2%	56.3%	52.0%
Total Sales	24.7	24.0	35.2	34.5	21.7	19.2	24.8	26.7
Number of Times Average Rate Was Earned	122	124	199	246	121	101	108	124
Increase (Decrease)	(1.6)%		(19.1)%		19.8%		(12.9)%	

*All figures are medians.
**Before income tax.

Exhibit I-4
Occupancy, Double Occupancy, Room Rates and Length of Stay*
Africa and the Middle East

	Total Region		Northern Africa		Southern Africa		Middle East	
	1981	1980	1981	1980	1981	1980	1981	1980
Annual Room Occupancy	66.5%	68.5%	80.9%	79.1%	67.6%	68.7%	59.4%	67.2%
Number of Guests Per Room	1.21	1.26	1.47	1.44	1.22	1.34	1.16	1.15
Average Daily Rate								
Per Room (U.S. Dollars)	$50.90	$51.76	$48.09	$46.48	$41.38	$42.80	$74.15	$69.69
Per Guest (U.S. Dollars)	40.03	42.82	34.16	30.43	31.78	30.10	69.74	59.36
Length of Stay (Days)	3.0	2.8	3.3	2.7	4.3	2.4	2.7	2.9

*All figures are medians.

Exhibit I-5
Composition of Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Arica	Middle East
Rooms	46.6%	46.8%	45.4%	47.2%
Food	28.6	29.7	27.7	28.7
Beverage	11.7	11.0	14.6	10.3
Telephone	5.1	5.4	3.7	5.8
Minor Operated Departments	4.1	2.9	5.7	3.5
Rentals & Other Income	3.9	4.2	2.9	4.5
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit I-6 shows the revenue and expenses for minor operated departments on the basis of amounts per available room and ratios to total sales. The telephone departmental income per room was substantially higher for properties in Northern Africa compared with both last year's performance and the other areas. Minor operated departments also contributed significantly to the overall performance of

Exhibit I-6
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Telephone				
Amount Per Available Room				
Sales	$1,690	$1,931	$686	$2,297
Cost of Sales				
Cost of Calls	1,099	1,129	682	1,523
Equipment Rental	52	5	28	91
Total	1,099	1,363	709	1,699
Payroll & Related Expenses	117	52	76	222
All Other Expenses	9	11	6	11
Total Cost & Expenses	1,036	1,501	788	1,996
Net Departmental Income or (Loss)	$ 148	$ 752	$ 59	$ 213
Ratio to Total Sales				
Sales	7.4%	4.7%	12.4%	8.5%
Cost of Sales	5.0	2.8	9.9	5.6
Payroll & Related Expenses	0.7	0.2	3.0	1.0
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 725	$ 674	$501	$ 928
Cost of Sales	180	216	138	192
Payroll & Related Expenses	161	41	109	251
Other Expenses	48	50	55	41
Total Costs & Expenses	384	337	272	477
Net Departmental Income	$ 383	$ 302	$194	$ 440
Ratio to Total Sales				
Sales	2.7%	2.8%	2.3%	2.8%
Cost of Sales	.6	.9	.6	.5
Payroll & Related Expenses	.6	.1	.8	.7
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 180	$ 141	$281	$ 178
Concessions	132	114	129	152
Commissions	49	57	117	35
Other	330	585	114	378
Total Rentals & Other Income	$ 507	$ 709	$340	$ 792
Ratio to Total Sales	2.2%	2.4%	1.6%	2.3%

*All figures are medians and do not necessarily add to totals shown.

properties located in all three areas included in this region. Total rentals and other income added more than $700 per room to income for the properties in North Africa, and nearly $800 per room for the properties in the Middle East.

Restaurant operations

Food and beverage statistics for those hotels providing the detail are shown in Exhibit I-7. When the amount per room or per seat is analyzed, food sales at the properties located in Southern Africa did not

Exhibit I-7
Food and Beverage Statistics*
African and the Middle East

	Total Region	Northern African	Southern Africa	Middle East
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$4,937	$4,585	$3,730	$5,660
Room Service	1,007	1,097	528	1,338
Banquet	1,433	752	949	1,661
Bar/Lounge	216	68	175	220
Total	$8,181	$8,640	$5,149	$8,893
Ratio to Total Sales				
Dining Room	64.4%	64.5%	67.6%	62.9%
Room Service	12.2	10.4	10.5	13.6
Banquet	16.9	10.9	18.1	18.6
Bar/Lounge	2.9	1.2	2.9	3.4
Amount Per Seat				
Dining Room	$4,218	$4,090	$2,711	$5,190
Banquet	898	1,732	600	1,080
Bar/Lounge	400	204	90	492
Total	$2,536	$2,676	$1,759	$2,634
Average Check				
Dining Room	$ 9.53	$ 6.19	$ 7.04	$11.20
Room Service	6.23	4.29	5.12	7.09
Banquet	13.38	12.83	11.74	15.39
Total	$ 9.29	$ 6.66	$ 8.03	$11.57
Covers Served Per Seat				
Dining Room	546	749	480	544
Banquet	58	111	84	57

*All figures are medians and do not necessarily add to totals shown.

yield as much revenue as sales at those in Northern Africa or the Middle East. For these properties, the average sale per customer (average check) was relatively low in North Africa and the number of covers served per seat was fairly high, while the opposite was true in the Middle East. There, the average check was a high $11.57 and the number of covers served per seat was substantially lower than in the other areas.

Payroll and related expenses

Information about payroll, employee benefits and employment statistics for the major areas that consti-

Exhibit I-7 (continued)
Food and Beverage Statistics
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Room Service Sales				
Per Occupied Room				
Food	$ 4.70	$ 4.13	$ 5.12	$ 5.65
Beverage	1.18	1.40	1.22	1.07
Total	$ 5.60	$ 5.24	$ 3.59	$ 7.22
Per Guest				
Food	$ 3.79	$ 4.53	$ 1.88	$ 5.13
Beverage	.93	1.03	1.07	.91
Total	$ 4.96	$ 5.83	$ 3.02	$ 6.59
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 917	$ 992	$ 917	$ 891
Room Service	259	491	249	261
Banquet	384	208	562	247
Bar/Lounge	1,145	1,130	1,110	1,269
Total	$2,920	$2,574	$3,091	$2,899
Ratio to Total Beverage Sales				
Dining Room	37.8%	36.7%	36.2%	39.2%
Room Service	8.2	8.6	8.3	7.6
Banquet	13.0	6.3	17.3	10.9
Bar/Lounge	36.3	37.5	36.3	34.5
Ratio to Food Sales				
Dining Room	24.3%	22.7%	30.1%	18.2%
Room Service	29.1	28.8	45.6	25.3
Banquet	26.5	17.4	58.8	21.4
Total (Including Bar/Lounge)	47.8	35.9	55.3	47.8
Amount Per Seat				
Dining Room	$1,046	$ 782	$ 955	$1,276
Banquet	200	283	293	178
Bar/Lounge	2,159	2,590	1,731	2,579
Total	$1,081	$1,014	$ 887	$1,111

tute this region is presented in Exhibit I-8. The productivity index (total sales divided by net payroll and related expenses) remained constant for properties in Southern Africa, decreased slightly for properties in the Middle East and dropped 21 percent below the 1980 level for those in Northern Africa. Despite an 11 percent increase in the number of full-time equivalent employees per 100 rooms (number of hours worked divided by the standard work hours), the productivity index for the Middle East dropped only slightly from the 1980 level, largely because of the substantial increase recorded in total sales.

Exhibit I-8
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 4,951	$ 3,958	$ 4,200	$ 5,781
Net Payroll & Related Expenses**	7,714	4,872	6,329	10,180
Employee Benefits— Ratio to Cash Payroll	63.5%	56.4%	63.9%	81.1%
Cost Per Employee				
Cash Payroll	$ 4,537	$ 2,567	$ 3,317	$ 5,163
Net Payroll & Related Expenses**	$7,500	4,940	4,547	9,165
Employment Statistics				
Sales Per Employee				
Rooms	$52,450	$33,744	$33,654	$64,181
Food & Beverage	23,646	18,378	17,205	25,998
Telephone	73,212	72,851	38,008	101,176
Minor Departments	31,750	31,813	18,832	41,382
Total Sales Per Employee	$25,334	$19,570	$17,352	$30,778
Productivity Index				
1981	3.37	5.60	3.54	3.14
1980	3.44	7.52	3.54	3.17
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	27.2	40.7	30.2	24.0
Food & Beverage	51.4	66.7	52.8	47.6
Telephone	2.2	2.0	2.2	2.3
Minor Departments	3.5	1.8	3.7	3.4
Administrative & General	12.4	11.6	16.0	11.3
Marketing—Sales	1.2	1.3	1.0	1.2
Marketing—Other	1.0	1.0	1.0	1.0
Property Operation & Maintenance	10.4	12.0	13.8	9.3
Personnel	2.6	2.0	2.2	3.8
House Laundry	5.3	7.7	5.6	5.2
Other	1.8	2.0	1.1	2.1
Total	122.6	144.8	125.7	110.2

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Undistributed operating expenses

An analysis of the undistributed operating expenses for the region is presented in Exhibit I-9 on three bases: cost per available room, ratio to room sales and ratio to total sales. Properties located in the Middle East reported the highest amounts per room of administrative and general expenses, marketing expenses and property operation and maintenance expenses of the areas included in this region. Although the Middle East has a large domestic energy

Exhibit I-9
Analysis of Undistributed Operating Expenses*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,632	$ 995	$1,476	$1,672
Other	2,139	1,507	1,666	2,612
Total	$3,812	$2,392	$3,233	$4,273
Ratio to:				
Room Sales	29.1%	20.3%	37.4%	27.6%
Total Sales—1981	13.7	10.3	16.7	13.7
Total Sales—1980	13.0	7.3	15.4	12.5
Increase (Decrease)	5.4%	41.1%	8.4%	9.6%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 136	$ 91	$ 104	$ 248
Other	709	726	501	750
Total	$ 824	$ 827	$ 575	$1,086
Ratio to:				
Room Sales	6.3%	6.5%	5.9%	6.4%
Total Sales—1981	2.9	3.0	2.8	3.0
Total Sales—1980	2.9	2.5	2.5	3.2
Increase (Decrease)	—	20.0%	12.0%	(6.3)%
Energy Costs				
Cost Per Available Room	$1,100	$ 728	$1,589	$1,100
Ratio to:				
Room Sales	8.5%	4.0%	13.8%	8.1%
Total Sales—1981	4.0	1.9	6.5	3.6
Total Sales—1980	4.4	2.1	6.6	3.8
Increase (Decrease)	(9.1)%	(9.5)%	(1.5)%	(5.3)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 829	$ 487	$ 740	$1,009
Other	915	1,130	794	997
Total	$1,802	$1,918	$1,578	$2,006
Ratio to:				
Room Sales	14.6%	12.2%	14.8%	13.8%
Total Sales—1981	6.2	5.6	7.3	6.2
Total Sales—1980	7.0	5.0	7.0	7.1
Increase (Decrease)	(11.4)%	12.0%	4.3%	(12.7)%

*All figures are medians and do not necessarily add to totals shown.

supply, properties there did not have the lowest energy costs. In fact, energy costs per occupied room rose 13.3 percent during the year, as Exhibit I-10 shows.

Credit and collection data

Nearly one-third of the guests used cash as the method of payment for hotel services in each of the three areas in this region and another 15 percent used credit cards, according to Exhibit I-11. Travel agents and tour operators made a substantial portion of the payments for properties in Northern Africa, but "all other credit" sources were used more extensively in properties located in Southern Africa and the Middle East. The annual cost per occupied room for credit card commissions, shown in Exhibit I-12, varied considerably among the three areas included in this region. It ranged from $117 or 0.8 percent of total sales for properties in Southern Africa to $355 or 1.3 percent of total sales for properties in the Middle East.

Exhibit I-10
Energy Costs Per Occupied Room Per Day*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Fuel	$ .93	$ .48	$1.15	$ .80
Electricity	2.63	1.57	3.94	2.60
Water	.61	.04	1.09	.73
Steam	.13	—	.04	.25
Credit for Sale of Energy	(.10)	(.09)	(.10)	(.16)
Net Energy Cost—1981	$5.04	$2.56	$5.88	$5.04
Net Energy Cost—1980	$4.76	$2.88	$6.75	$4.45
Increase (Decrease)	5.9%	(11.1)%	(12.9)%	13.3%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-11
Method of Payment for Hotel Services*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Cash	32.0%	33.3%	33.5%	30.8%
Credit Card	15.4	15.3	12.3	17.2
Travel Agents & Tour Operators	19.5	39.0	24.1	12.5
All Other Credit	33.1	12.4	30.1	39.5

*Based on arithmetic mean.

Exhibit I-12
Credit Card Commission Annual Cost Per Occupied Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Annual Cost Per Occupied Room	$227	$173	$117	$355
Ratio to Total Sales	1.1%	1.2%	.8%	1.3%

*All figures are medians.

Fixed charges

Exhibit I-13 provides a comparison of the median amount per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation. Rent and interest expenses were particularly high for properties in Northern Africa, both amount per room and as a ratio to total sales. Properties in this area also experienced an increase in fixed expenses as a ratio to total sales in sharp contrast with the other two areas, where a sharp decline was reported.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, for this region are listed in Exhibit I-14. While liquidity remained relatively consistent with 1980 results at hotels in both Northern and Southern Africa, the current position of Middle Eastern properties increased substantially from $1 in 1980 to $1.65 in 1981. Exhibits I-15 and I-16 contain the median amounts per available room and ratios to total sales for the region and subregions.

Exhibit I-13
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Amount Per Room				
Rent	$2,483	$3,240	$1,747	$2,646
Property Taxes	198	135	247	131
Insurance on Buildings & Contents	171	165	190	153
Interest Expense	192	1,008	122	195
Depreciation & Amortization	1,046	807	655	1,346
Total Fixed Charges	$1,745	$4,007	$1,672	$1,745
Ratio to Total Sales—1981	6.2%	12.1%	7.9%	5.2%
Ratio to Total Sales—1980	8.3	11.2	11.3	6.6
Increase (Decrease)	(25.3)%	8.0%	(30.1)%	(21.2)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-14
Balance Sheet Statistics—Liquidity Ratios*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Current Position:				
Ratio of Current Assets to Current Liabilities	$ 1.39	$ 1.29	$ 1.19	$ 1.65
Accounts Receivable:				
Amount Per Room	$2,869	$2,407	$2,536	$3,432
Ratio to Total Sales	9.8%	6.8%	11.8%	9.0%
Food Inventory				
Amount Per Room	$ 351	$ 324	$ 218	$ 387
Annual Turnover	11.4	20.9	10.0	11.4
Beverage Inventory				
Amount Per Room	$ 239	$ 396	$ 359	$ 158
Annual Turnover	4.1	1.6	3.9	4.4
Operating Supplies Inventory				
Amount Per Room	$1,090	$1,338	$823	$1,106

*All figures are medians.

Exhibit I-15
Statement of Income and Expenses—Median Amounts Per Available Room*
Africa and the Middle East

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	$12,985	$14,121	$9,233	$16,514
Departmental Expenses				
Payroll & Related Expenses	1,377	962	1,143	2,052
Other	1,140	1,295	662	1,450
Total	2,465	2,128	1,826	3,556
Departmental Income	10,802	11,830	7,490	12,523
Food & Beverage				
Sales				
Food	8,181	8,640	5,149	8,893
Beverage	2,920	2,574	3,091	2,899
Total	10,100	10,922	8,496	12,272
Cost of Sales				
Food	2,743	3,184	2,007	3,100
Beverage	792	832	869	672
Total	3,401	3,935	2,806	3,697
Gross Profit	6,997	7,131	5,523	8,617
Public Room Sales	58	76	40	63
Other Income	230	257	130	280
Gross Profit & Other Income	7,530	7,273	5,741	8,982
Departmental Expenses				
Payroll & Related Expenses	3,439	2,192	2,369	4,143
Other	1,449	1,603	1,156	1,504
Total	4,889	4,146	3,505	5,908
Departmental Income	2,736	3,897	2,380	2,837
Telephone Departmental Income	148	752	59	213
Net Income From Minor Operated Departments	383	303	194	440
Rentals & Other Income	507	709	340	792
Gross Income	14,995	18,917	9,964	19,264
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,632	995	1,476	1,672
Other	2,139	1,507	1,666	2,612
Total	3,812	2,392	3,233	4,273
Marketing	824	827	575	1,086
Energy Costs	1,100	728	1,589	1,100
Property Operation & Maintenance	1,802	1,918	1,578	2,006
Total Undistributed Expenses	8,041	5,637	7,593	8,609
Income Before Fixed Charges	7,175	11,131	3,996	7,646
Property Taxes & Insurance	369	300	437	284
Income Before Interest & Depreciation	$ 4,609	$ 7,889	$ 1,805	$ 7,109

*All figures are medians and do not necessarily add to totals shown.

Exhibit I-16
Ratio to Total Sales*
Africa and the Middle East

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Northern Africa	Southern Africa	Middle East
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	10.7	7.1	10.2	12.4
Other	8.0	10.2	7.2	8.0
Total	19.7	19.3	19.2	20.7
Departmental Income	80.3	80.7	80.8	79.3
Ratio to Total Sales	37.8	37.1	37.4	38.4
Food & Beverage				
Sales				
Food	67.8	73.6	64.4	67.8
Beverage	32.3	26.4	35.6	32.3
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	36.5	38.0	38.2	35.6
Beverage	25.3	35.2	28.4	21.3
Total	32.9	36.8	36.0	31.5
Gross Profit	67.1	63.2	64.0	68.5
Public Room Sales	.5	.6	.5	.5
Other Income	1.7	1.7	1.1	1.8
Gross Profit & Other Income	69.0	65.4	66.3	71.1
Departmental Expenses				
Payroll & Related Expenses	32.3	20.6	26.1	35.5
Other	14.3	13.1	13.5	12.6
Total	45.6	35.3	41.7	49.9
Departmental Income	22.9	32.0	24.0	22.8
Ratio to Total Sales	9.5	11.1	11.0	8.9
Telephone Departmental Profit	1.2	5.0	.4	1.4
Net Income From Minor Operated Departments	1.2	1.3	1.0	1.2
Rentals & Other Income	2.2	2.4	1.6	2.3
Gross Income	53.8	56.4	53.2	53.6
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	5.2	3.4	6.8	5.1
Other	8.3	7.1	8.4	8.4
Total	13.7	10.3	16.7	13.7
Marketing	2.9	3.0	2.8	3.0
Energy Costs	4.0	1.9	6.5	3.6
Property Operation & Maintenance	6.2	5.6	7.3	6.2
Total Undistributed Expenses	27.7	22.2	33.4	25.8
Income Before Fixed Charges	24.7	35.2	21.7	24.8
Property Taxes & Insurance	1.5	.9	1.8	1.4
Income Before Interest & Depreciation	17.7%	21.9%	8.6%	20.4%

*All figures are medians and do not necessarily add to totals shown.

Section II
Asia and Australasia

The typical contributor from Asia and Australasia is identified and defined in Exhibit II-1, using the different measures of central tendency. The subregions included in this region are Asia, the Far East and the Pacific Islands. Highlights of the analysis of operating results are shown in Exhibit II-2. Despite a 21 percent rise in payroll and related expenses and only a slight increase in sales, properties in the region reported an increase of 19.7 percent in income before income taxes. This positive impact on profit was largely the result of greater operating efficiencies instituted during the fiscal year.

Performance measurements

While total sales per available room increased for each area in Region II, a substantial rise of 19.5 percent was recorded by Far Eastern properties. Large jumps in this measure were particularly evident in Far Eastern properties reporting sales in excess of $10 million and an occupancy rate greater than 80 percent for 1981. Increases in the amount of income before fixed charges per available room also were recorded by hotels contributing in all subregions. Only Asian properties experienced a decline in net income before income tax per available room in 1981, falling 18.5 percent from $4,661 in 1980 to $3,797 in 1981.

Exhibit II-3 compares total sales and income. It also presents the ratio of income before fixed charges to

Exhibit II-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Asia and Australasia

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	Greater than 80%
Average Rate	under $40
Sales Volume	Greater than $12 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1981

Exhibit II-2
Highlights*
Asia and Australasia

- Total revenue increased 9.2 percent on a per room basis.
- Room occupancy rose 0.2 percent to 81.8 percent compared with 81.6 percent in 1980.
- The average daily rate per occupied room was $47.20 compared with $40.69 in 1980, an increase of 16 percent.
- Payroll and related expenses per room rose 21.1 percent from $3,347 to $4,052.
- Income before income taxes increased 19.7 percent on a per room basis, although sales only rose 9.2 percent. The ratio to total sales increased slightly to 15.6 percent from 15 percent in 1980.

*Based on medians.

Exhibit II-3
Comparison of Sales and Profitability*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Islands	
	1981	1980	1981	1980	1981	1980	1981	1980
Amounts Per Available Room								
Total Sales	$29,432	$26,948	$21,732	$20,775	$33,181	$27,771	$34,157	$31,981
Income Before Fixed Charges	9,256	8,208	8,682	7,589	13,984	10,073	8,586	7,105
Net Income** or (Loss)	$ 5,353	$ 4,472	$ 3,797	$ 4,661	$ 9,273	$ 7,560	$ 3,589	$ 3,579
Ratio of Income Before Fixed Charges								
Room Sales	60.1%	63.5%	60.3%	75.3%	79.5%	73.1%	52.6%	46.2%
Total Sales	31.2	28.4	31.6	34.3	39.0	37.4	24.3	24.8
Number of Times Average Rate Was Earned	185	192	188	209	230	231	142	140
Increase (Decrease)	(3.6)%		(10.0)%		(0.4)%		1.4%	

*All figures are medians.
**Before income tax.

room sales and to total sales, and the number of times the average room rate was earned. After showing considerable improvement in the measurements in 1980, the trend was reversed in Asian properties during 1981 and fell below 1979 levels in all categories. This poor performance also was reflected in the drop in net income before income taxes. The number of times the average rate was earned was lower in every area except the Pacific Islands, where there was a very modest 1.4 percent rise.

Occupancy and average rate

Exhibit II-4 illustrates the median room occupancy, number of guests per room, average daily rate per room and per guest, and average length of stay for Region II. The occupancy rate remained relatively consistent with 1980 levels for all subregions, with only Asian properties reporting an increase. However, hotels in each of the three areas again recorded occupancy rates far above industry norms in 1981. These high occupancy rates reflect the continued ability of hoteliers in these areas to generate demand consistent with the available supply of first-class hotel rooms. Room rates increased throughout all subregions, with the larger properties in the Pacific Islands charging the highest rates.

Analysis of sales

Exhibit II-5 displays the composition of sales for Region II. Traditionally, hotels in Asia and the Far East

Exhibit II-4
Occupancy, Double Occupancy, Room Rates and Length of Stay*
Asia and Australasia

	Total Region		Asia		Far East		Pacific Islands	
	1981	1980	1981	1980	1981	1980	1981	1980
Annual Room Occupancy	81.8%	81.6%	79.7%	78.7%	83.4%	85.2%	81.0%	83.0%
Number of Guests Per Room	1.39	1.45	1.27	1.30	1.40	1.44	1.75	1.71
Average Daily Rate								
Per Room (U.S. Dollars)	$47.20	$40.69	$40.72	$35.59	$52.36	$46.00	$59.51	$56.29
Per Guest (U.S. Dollars)	35.21	30.14	30.16	26.45	43.48	34.22	36.21	33.66
Length of Stay (Days)	2.6	2.7	2.1	2.2	3.3	3.3	**	2.5

*All figures are medians.
**Insufficient data.

Exhibit II-5
Composition of Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Rooms	47.6%	50.0%	46.4%	49.7%
Food	29.0	26.7	31.1	29.6
Beverage	11.8	10.5	11.4	12.6
Telephone	3.8	4.4	3.4	2.0
Minor Operated Departments	2.9	3.2	3.1	1.2
Rentals & Other Income	4.9	5.2	4.6	4.9
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

have been the local residents' favorite places for dining out. These habits began to change in 1979, however, and in 1981 the ratio of food sales to total sales for hotels in both Asia and the Far East fell to levels more common throughout the world.

Revenue and expenses for minor operated departments on the basis of amounts per available room and ratios to sales are illustrated in Exhibit II-6.

Telephone revenue increased sharply in relation to total sales for all subregions in 1981. Resort properties, of which there are many in this region, frequently have many shops and a wide range of recreation facilities and other services for their guests, and consequently tend to show higher ratios from minor sources, rentals and other income.

Exhibit II-6
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Telephone				
Amount Per Available Room				
Sales	$ 869	$ 945	$1,380	$ 410
Cost of Sales				
Cost of Calls	757	757	1,220	348
Equipment Rental	83	52	91	105
Total	730	848	1,266	435
Payroll & Related Expenses	101	73	119	234
All Other Expenses	6	6	7	3
Total Cost & Expenses	881	937	1,327	637
Net Departmental Income or (Loss)	$ 25	$ 56	$ 31	$ (90)
Ratio to Total Sales				
Sales	7.1%	8.4%	8.0%	2.5%
Cost of Sales	6.6	7.4	7.0	2.7
Payroll & Related Expenses	.7	.6	.7	1.5
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 666	$ 671	$1,106	$ 235
Cost of Sales	158	160	313	66
Payroll & Related Expenses	117	121	211	82
Other Expenses	30	31	51	16
Total Costs & Expenses	320	337	447	155
Net Departmental Income	$ 375	$ 388	$ 741	$ 90
Ratio to Total Sales				
Sales	2.6%	2.9%	3.6%	.8%
Cost of Sales	.6	.6	.8	.2
Payroll & Related Expenses	.4	.5	.6	.3
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 491	$ 355	$ 224	$ 712
Concessions	70	166	59	42
Commissions	18	18	67	15
Other	265	266	381	119
Total Rentals & Other Income	$ 781	$ 754	$ 752	$1,065
Ratio to Total Sales	2.7%	3.0%	2.4%	2.6%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit II-7 presents the food and beverage statistics for those hotels in Region II providing the detail. Food sales, by facility, are shown as amounts per available room and ratios to total food and beverage sales. While most measurements are consistent with 1980 levels for all areas, properties in the Far East

Exhibit II-7
Food and Beverage Statistics
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$5,520	$3,634	$7,331	$6,168
Room Service	563	546	612	1,023
Banquet	1,486	1,176	1,727	2,754
Bar/Lounge	240	234	293	2,009
Total	$8,116	$5,270	$10,144	$12,771
Ratio to Total Sales				
Dining Room	67.1%	62.3%	67.0%	69.0%
Room Service	6.9	9.0	6.6	5.0
Banquet	19.7	20.2	18.7	21.2
Bar/Lounge	2.8	3.0	2.1	3.6
Amount Per Seat				
Dining Room	$4,552	$3,667	$7,484	$3,797
Banquet	1,009	809	1,445	841
Bar/Lounge	638	473	1,320	240
Total				
Average Check				
Dining Room	$6.46	$4.95	$7.17	$7.89
Room Service	4.56	4.00	4.57	6.43
Banquet	8.77	6.87	8.96	10.54
Total	$6.78	$5.06	$7.12	$8.22
Covers Served Per Seat				
Dining Room	752	701	1,140	532
Banquet	130	113	167	110

*All figures are medians and do not necessarily add to totals shown.

reported a sharp 25 percent increase in the amount per available room of total food sales. Also, room service sales per occupied room reported by properties in the Pacific Islands was one of the lowest reported for any area. This was apparently due to the wide variety of outdoor activities available to guests staying in Pacific Island properties.

Exhibit II-7 (continued)
Food and Beverage Statistics
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Room Service Sales				
Per Occupied Room				
Food	$2.02	$2.15	$2.31	$1.61
Beverage	.42	.40	.55	.37
Total	$2.84	$2.94	$2.95	$1.63
Per Guest				
Food	$1.61	$1.82	$1.61	$1.07
Beverage	.30	.28	.35	.18
Total	$2.05	$2.25	$2.27	$1.02
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$1,061	$810	$1,289	$1,224
Room Service	123	86	165	82
Banquet	301	254	429	569
Bar/Lounge	1,338	976	1,836	1,443
Total	$3,079	$2,287	$4,048	$3,079
Ratio to Total Beverage Sales				
Dining Room	32.7%	31.1%	32.3%	34.8%
Room Service	2.8	4.1	4.6	2.9
Banquet	11.9	9.4	11.5	15.8
Bar/Lounge	47.1	47.2	45.8	47.2
Ratio to Food Sales				
Dining Room	19.4%	19.7%	17.8%	22.7%
Room Service	18.2	15.0	23.5	21.8
Banquet	25.3	21.5	25.0	34.8
Total (Including Bar/Lounge)	38.5	37.3	38.6	39.1
Amount Per Seat				
Dining Room	$ 931	$798	$1,298	$931
Banquet	225	138	443	338
Bar/Lounge	3,557	3,215	4,255	2,935
Total	$1,240	$ 948	$1,265	**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient data.

Payroll and related expenses

Exhibit II-8 displays information about payroll, employee benefits and employment statistics for properties in Region II. As a result of an increase in payroll and related expenses, the productivity index (total sales divided by net payroll and related expenses), fell nearly 15 percent for hotels in Asia compared with the preceding year. However, the index of productivity rose at properties in the Far East and Pacific Islands as hotel managements were able to increase revenue in excess of payroll and related expenses.

Undistributed operating expenses

Undistributed operating expenses for the region are presented in Exhibit II-9. The analysis contains

Exhibit II-8
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$5,126	$3,662	$5,425	$8,330
Net Payroll & Related Expenses**	6,297	4,663	6,431	11,316
Employee Benefits— Ratio to Cash Payroll	43.1%	46.6%	43.7%	46.4%
Cost Per Employee				
Cash Payroll	$3,483	$2,135	$4,169	$12,620
Net Payroll & Related Expenses**	4,052	3,502	4,153	17,613
Employment Statistics				
Sales Per Employee				
Rooms	$34,832	$25,110	$43,106	$51,782
Food & Beverage	16,148	11,506	20,851	28,149
Telephone	42,458	27,809	59,916	63,702
Minor Departments	26,012	13,941	28,304	31,606
Total Sales Per Employee	$20,239	$11,911	$25,806	$50,002
Productivity Index				
1981	3.97	4.65	6.07	3.24
1980	4.39	5.45	5.24	3.02
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	37.8	41.9	37.5	25.2
Food & Beverage	69.5	74.0	85.0	43.1
Telephone	2.7	3.0	2.6	1.5
Minor Departments	4.6	5.4	5.0	1.2
Administrative & General	12.0	14.2	11.2	6.4
Marketing—Sales	2.0	2.1	2.3	1.3
Marketing—Other	1.2	1.3	1.0	1.0
Property Operation & Maintenance	11.3	16.7	9.3	4.7
Personnel	1.5	2.1	1.4	0.1
House Laundry	5.4	7.0	4.3	3.0
Other	1.0	1.0	1.0	1.0
Total	147.3	174.5	136.6	75.4

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

measurement in three categories: cost per available room, ratio to room sales and ratio to total sales. Marketing expenditures increased in all subregions during 1981. This is illustrated by the rise in marketing costs as a ratio to total sales even though total revenue increased substantially in all subregions. This practice was particularly effective for properties in Asia, one of the few areas where occupancy rose above 1980 levels. As an amount per room, administrative and general expenses rose substantially in all subregions except the Pacific Islands, where they declined slightly.

Exhibit II-9
Analysis of Undistributed Operating Expenses*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,041	$906	$ 928	$1,186
Other	1,692	1,265	2,294	1,731
Total	$2,774	$2,295	$3,379	$3,138
Ratio to:				
Room Sales	22.4%	23.7%	20.8%	20.6%
Total Sales—1981	11.7	12.2	9.9	11.8
Total Sales—1980	9.8	8.2	7.6	12.1
Increase (Decrease)	19.4%	48.8%	30.3%	(2.5)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$170	$90	$200	$258
Other	724	655	756	871
Total	$926	$780	$1,022	$1,110
Ratio to:				
Room Sales	6.7%	7.3%	6.7%	6.3%
Total Sales—1981	3.5	3.5	3.5	3.4
Total Sales—1980	3.2	2.7	3.3	3.2
Increase (Decrease)	9.4%	39.6%	6.1%	6.3%
Energy Costs				
Cost Per Available Room	$1,630	$1,699	$2,131	$1,222
Ratio to:				
Room Sales	11.3%	14.4%	10.8%	7.0%
Total Sales—1981	5.6	7.1	5.7	3.8
Total Sales—1980	5.3	6.3	4.9	3.0
Increase (Decrease)	5.7%	12.7%	16.3%	26.7%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$566	$474	$555	$889
Other	875	823	929	859
Total	$1,421	$1,264	$1,545	$1,714
Ratio to:				
Room Sales	11.4%	11.6%	9.7%	11.0%
Total Sales—1981	5.2	5.7	4.4	5.2
Total Sales—1980	5.1	6.5	4.0	5.4
Increase (Decrease)	2.0%	(12.3)%	10.0%	(3.7)%

*All figures are medians and do not necessarily add to totals shown.

Energy costs per occupied room per day rose dramatically for properties in the Far East and the Pacific Islands in 1981, as shown in Exhibit II-10. This climb in energy expenditures had been particularly acute for Far Eastern properties, which have experienced a 128 percent increase since 1979.

Credit and collection data

Method of payment for hotel services differed substantially across the subregions, as illustrated in Exhibit II-11. The Pacific Island area, with a large portion of resort properties, showed travel agents and tour operators as the most common method. Cash was used most frequently in Asia, while in the Far East payment most often was made with credit cards. Credit card usage is displayed in Exhibit II-12. Not surprisingly, credit card commissions as an amount per occupied room rose more than 19 percent to $453 in the Far East in 1981.

Fixed charges

A comparison of the median amounts per available room and ratios to total sales of fixed charges,

Exhibit II-10
Energy Costs Per Occupied Room Per Day*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Fuel	$.95	$.80	$1.03	$.97
Electricity	4.82	4.97	6.01	3.03
Water	.33	.47	.28	.30
Steam	.11	.23	.06	.02
Credit for Sale of Energy	(.24)	(.49)	(.23)	(.15)
Net Energy Cost—1981	$5.83	$6.04	$7.26	$4.48
Net Energy Cost—1980	$4.77	$5.78	$5.12	$2.99
Increase (Decrease)	22.2%	4.5%	41.8%	49.8%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-11
Method of Payment for Hotel Services*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Cash	29.5%	32.6%	29.1%	22.9%
Credit Card	26.2	20.5	34.8	26.2
Travel Agents & Tour Operators	20.6	16.4	19.1	32.5
All Other Credit	23.7	30.5	17.0	18.4

*Based on arithmetic mean.

Exhibit II-12
Credit Card Commission Annual Cost Per Occupied Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Annual Cost Per Occupied Room	$286	$226	$453	$251
Ratio to Total Sales	1.8%	1.7%	2.3%	1.2%

*All figures are medians.

which include rent, property taxes, insurance on buildings and contents, interest and depreciation, is presented in Exhibit II-13. Because of a major increase in the amount of rent per available room, fixed charges more than doubled in relation to total sales at hotels in Asia. However, increases in sales for properties in the Far East and the Pacific Islands resulted in a decline in the ratio.

Balance sheet statistics

Exhibit II-14, lists the typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, for Region II. For hotels providing the information, liquidity dropped sharply in Asia to $1.25 in 1981 from $1.77 in 1980. No significant change was reported in any area for food and beverage inventory turnover in 1981.

Exhibit II-13
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Amount Per Room				
Rent	$1,078	$844	$3,758	$1,068
Property Taxes	319	168	220	798
Insurance on Buildings & Contents	91	88	83	100
Interest Expense	709	832	350	736
Depreciation & Amortization	1,091	1,128	1,180	901
Total Fixed Charges	$2,313	$2,290	$1,720	$4,046
Ratio to Total Sales—1981	10.6%	11.7%	6.0%	10.9%
Ratio to Total Sales—1980	7.6	5.8	7.2	12.5
Increase (Decrease)	39.5%	101.7%	(16.7)%	(12.8)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-14
Balance Sheet Statistics—Liquidity Ratios*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Current Position:				
Ratio of Current Assets to Current Liabilities	$1.25	$1.25	$1.27	$1.30
Accounts Receivable:				
Amount Per Room	$2,261	$2,068	$2,761	$2,311
Ratio to Total Sales	8.6%	9.0%	8.1%	6.4%
Food Inventory				
Amount Per Room	$187	$166	$218	$186
Annual Turnover	21.9	18.2	30.7	21.0
Beverage Inventory				
Amount Per Room	$181	$177	$148	$245
Annual Turnover	5.1	4.0	5.5	6.1
Operting Supplies Inventory				
Amount Per Room	$511	$841	$365	$332

*All figures are medians.

Exhibits II-15 and II-16 contain the median amounts per available room and ratios to total sales for the region and subregions.

Exhibit II-15
Statement of Income and Expenses—Median Amounts Per Available Room*
Asia and Australasia

	Total Region	Asia	Far East	Pacific Islands
Rooms				
Sales	$13,031	$12,122	$17,172	$15,779
Departmental Expenses				
Payroll & Related Expenses	1,329	971	1,266	3,286
Other	1,315	1,007	1,620	1,870
Total	2,691	1,975	2,947	5,487
Departmental Income	11,161	10,105	14,345	11,661
Food & Beverage				
Sales				
Food	8,116	5,270	10,144	8,143
Beverage	3,079	2,287	4,048	3,079
Total	11,058	7,837	13,994	11,088
Cost of Sales				
Food	2,780	2,117	3,963	2,804
Beverage	719	638	776	718
Total	3,404	2,653	4,775	3,520
Gross Profit	7,855	5,269	9,374	8,005
Public Room Sales	99	79	95	135
Other Income	94	106	76	111
Gross Profit & Other Income	7,991	5,348	9,644	8,153
Departmental Expenses				
Payroll & Related Expenses	2,674	1,786	2,909	5,473
Other	1,400	1,121	1,762	1,458
Total	3,991	2,740	4,890	6,588
Departmental Income	3,447	2,933	4,726	2,872
Telephone Departmental Income	25	56	31	(90)
Net Income From Minor Operated Departments	375	388	741	90
Rentals & Other Income	781	754	752	1,065
Gross Income	16,035	14,655	20,101	16,184
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,041	906	928	1,186
Other	1,692	1,265	2,294	1,731
Total	2,774	2,295	3,379	3,138
Marketing	926	780	1,022	1,110
Energy Costs	1,630	1,699	2,131	1,222
Property Operation & Maintenance	1,421	1,264	1,545	1,714
Total Undistributed Expenses	7,588	6,254	8,604	8,088
Income Before Fixed Charges	9,256	8,682	13,984	8,586
Property Taxes & Insurance	410	256	303	898
Income Before Interest & Depreciation	$6,968	$8,373	$10,311	$5,510

*All figures are medians and do not necessarily add to totals shown.

Exhibit II-16
Ratio to Total Sales*
Asia and Australasia

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Asia	Far East	Pacific Islands
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	10.7	8.6	8.1	17.6
Other	9.8	8.1	10.6	10.9
Total	21.0	16.9	18.6	29.6
Departmental Income	79.0	83.1	81.4	70.4
Ratio to Total Sales	38.2	39.5	36.0	33.1
Food & Beverage				
Sales				
Food	72.2	72.8	72.1	71.9
Beverage	27.8	27.2	27.9	28.1
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	35.5	37.8	36.2	31.1
Beverage	24.1	25.0	20.5	21.9
Total	32.2	33.6	32.6	29.3
Gross Profit	67.8	66.4	67.4	70.6
Public Room Sales	.8	.7	.8	1.3
Other Income	1.2	1.3	.5	1.2
Gross Profit & Other Income	69.8	67.5	69.3	72.6
Departmental Expenses				
Payroll & Related Expenses	25.7	22.0	20.3	38.8
Other	12.4	13.0	12.3	12.2
Total	38.1	36.6	32.6	48.6
Departmental Income	31.9	33.8	36.5	23.4
Ratio to Total Sales	12.7	12.7	15.0	9.0
Telephone Departmental Profit	.2	.4	.1	(.7)
Net Income From Minor Operated Departments	1.2	1.6	2.2	.2
Rentals & Other Income	2.7	3.0	2.4	2.6
Gross Income	56.8	59.7	58.4	49.0
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	3.3	3.3	2.9	4.2
Other	6.1	6.0	6.1	6.3
Total	11.7	12.2	9.9	11.8
Marketing	3.5	3.5	3.5	3.4
Energy Costs	5.6	7.1	5.7	3.8
Property Operation & Maintenance	5.2	5.7	4.4	5.2
Total Undistributed Expenses	26.2	28.9	24.6	25.1
Income Before Fixed Charges	31.2	31.6	39.0	24.3
Property Taxes & Insurance	1.2	1.0	.8	2.7
Income Before Interest & Depreciation	21.8%	29.3%	26.1%	18.8%

*All figures are medians and do not necessarily add to totals shown.

Section III
North America

This section presents data for the North American region, including the subregions of Canada, the United States and the Caribbean Islands. The typical contributor from this region is identified and defined in Exhibit III-1, and highlights of the analysis of operating results are shown in Exhibit III-2.

North American properties contributing to this study were affected negatively by the worldwide recession in 1981, as evidenced by a substantial drop of 5.6 percent in the occupancy rate. Despite weakening demand, total revenue increased 13.6 percent as hotels tried to compensate by raising room rates. For the entire sample, the average daily rate per room increased more than 22 percent to $55.32 in 1981.

Performance measurements

Exhibit III-3 presents comparisons of total sales and income for the properties included in this section. Canadian properties reported a sharp 30.6 percent increase in median total sales per available room. This dramatic rise was particularly acute in hotels that have more than 300 guest rooms. Hotels in the United States recorded only a moderate rise in this measurement, while properties in the Caribbean exhibited a 34 percent decline as newly-opened hotels struggled to create consistent demand for their services. Reflecting the high cost of borrowed

Exhibit III-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
North America

Criteria	Category of Typical Contributor
Age	Built after 1969
Size	300–600 rooms
Occupancy	70%–79%
Average Rate	$46–$54.99
Sales Volume	Greater than $12 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 60% and 85% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1981

Exhibit III-2
Highlights*
North America

- Total revenue increased 13.6 percent on a per room basis.
- Room occupancy dropped 5.6 percent to 68.8 percent compared with 72.9 percent in 1980.
- The average daily rate per occupied room was $55.32 compared with $45.29 in 1980, an increase of 22.1 percent.
- Payroll and related expenses per room rose 19.6 percent from $10,903 to $13,042.
- Income before income taxes decreased 3.3 percent on a per room basis, although sales rose 13.6 percent. The ratio to total sales dropped slightly to 5.2 percent from 8.6 percent in 1980.

*Based on medians.

Exhibit III-3
Comparison of Sales and Profitability
North America

	Total Region		Canada		United States		Caribbean	
	1981	1980	1981	1980	1981	1980	1981	1980
Amounts Per Available Room								
Total Sales	$25,803	$22,723	$25,769	$19,727	$25,933	$23,355	$23,619	$31,689
Income Before Fixed Charges	6,067	5,491	5,621	4,756	6,427	6,101	515	2,270
Net Income** or (Loss)	$ 1,355	$ 1,401	$ 1,762	$ 289	$ 1,383	$ 1,801	$ 150	$ (1,687)
Ratio of Income Before Fixed Charges								
Room Sales	43.5%	41.8%	46.0%	48.9%	43.5%	44.7%	4.2%	14.6%
Total Sales	24.3	24.1	22.9	25.7	25.6	26.4	2.2	7.5%
Number of Times Average Rate was Earned	116	114	123	124	114	119	112	38
Increase (Decrease)	1.8%		(0.8)%		(4.2)%		194.7%	

*All figures are medians.
**Before income tax.

capital in 1981, contributors from the U.S. reported a sharp drop in net income before taxes per available room despite an increase in income before fixed charges. Caribbean properties, however, managed to reverse their 1980 loss position by generating income before taxes in 1981.

Also illustrated in Exhibit III-3 is the ratio of income before fixed charges to room sales and total sales, and the number of times the average room rate was earned. A close examination of these measurements of operating efficiency reveals that 1981 was a difficult year for properties in each of the subregions. Declines were reported in all three areas, with the Carribbean hotels reporting some of the lowest profit margins of any area covered in this study. This was primarily the result of changes in the mix of contributors in Region III (in particular, there was a lower number of responses from properties in the Caribbean). Profit margins for the total region reflected an increase, while properties in each subregion experienced a decline in these same measurements.

Occupancy and average rate

The comparison of room occupancy, number of guests per room, average daily rate per room and per guest, and average length of stay is shown in Exhibit III-4. Canadian properties reported a sharp 8.4 percent drop in room occupancy in 1981. To compensate for this reduced demand, Canadian hotel operators increased prices so that the median daily room rate rose a substantial 36 percent. This policy was effective as these properties were able to increase both their total revenue and net income before taxes in 1981, as shown in Exhibit III-3. In contrast, properties reporting from the Caribbean experienced drops in the occupancy rate and the average daily room rate of 11 percent and 7 percent respectively. This double decline rendered profit margins almost nonexistent in 1981.

Analysis of sales

American properties reported that more than 58 percent of total revenue was derived from guest rooms rentals, by far the largest percentage for any area covered in this study. This finding has been consistent for several years and is in large part the result of the greater competition from independent restaurant operators that hotels in the United States face. Consequently, these properties cannot rely on the food and beverage department to generate the level of revenue that their counterparts in other parts

Exhibit III-4
Occupancy, Double Occupancy, Room Rates and Length of Stay*
North America

	Total Region		Canada		United States		Caribbean	
	1981	1980	1981	1980	1981	1980	1981	1980
Annual Room Occupancy	68.8%	72.9%	68.3%	74.6%	69.9%	72.6%	68.4%	73.6%
Number of Guests Per Room	1.35	1.41	1.39	1.43	1.34	1.37	1.58	1.75
Average Daily Rate								
Per Room (U.S. Dollars)	$55.32	$45.29	$49.39	$36.29	$56.07	$47.81	$53.49	$60.45
Per Guest (U.S. Dollars)	41.89	33.69	37.15	26.72	43.74	38.17	43.02	37.91
Length of Stay (Days)	2.0	2.1	1.3	1.6	2.0	2.0	4.7	3.5

*All figures are medians.

of the world are able to generate. Exhibit III-5 shows the composition of sales for the subregions.

Revenue and expenses for minor operated departments on the basis of amount per available room and ratio to sales is presented in Exhibit III-6. As shown, the properties reporting in all three subregions recorded a net departmental loss for the telephone departments. In direct contrast to other areas covered in this study, Canadian, American and Caribbean hotel operators have yet to implement the practices necessary to make the telephone department a revenue generator.

Exhibit III-5
Composition of Sales*
North America

	Total Region	Canada	United States	Caribbean
Rooms	56.4%	47.9%	58.3%	50.5%
Food	25.9	27.7	24.2	27.9
Beverage	11.1	16.9	9.9	11.3
Telephone	2.6	2.2	2.7	2.7
Minor Operated Departments	1.7	1.2	1.5	4.2
Rentals & Other Income	2.3	4.1	3.4	3.4
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit III-6
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
North America

	Total Region	Canada	United States	Caribbean
Telephone				
Amount Per Available Room				
Sales	$ 669	$ 577	$ 684	$ 536
Cost of Sales				
Cost of Calls	541	369	577	567
Equipment Rental	159	217	153	192
Total	660	581	681	679
Payroll & Related Expenses	174	159	174	220
All Other Expenses	5	3	5	7
Total Cost & Expenses	828	761	854	951
Net Departmental Income or (Loss)	$(182)	$(150)	$(184)	$(391)
Ratio to Total Sales				
Sales	2.6%	2.5%	2.6%	2.8%
Cost of Sales	2.7	2.7	2.7	4.8
Payroll & Related Expenses	0.7	0.7	0.7	0.8
Minor Operated Departments				
Amount Per Available Room				
Sales	$ 272	$ 273	$ 268	$ 320
Cost of Sales	106	85	103	148
Payroll & Related Expenses	134	190	114	135
Other Expenses	23	31	11	33
Total Costs & Expenses	248	241	237	343
Net Departmental Income	$ 42	$ 42	$ 42	$ 88
Ratio to Total Sales				
Sales	1.2%	1.1%	1.2%	1.8%
Cost of Sales	.4	.2	.4	.7
Payroll & Related Expenses	.5	.7	.5	1.0
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 123	$ 86	$ 123	$ 380
Concessions	40	63	37	101
Commissions	25	18	29	4
Other	95	149	70	465
Total Rentals & Other Income	$ 289	$ 478	$ 270	$ 521
Ratio to Total Sales	1.3%	1.7%	1.2%	1.8%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Food and beverage statistics for those properties providing the detail are given in Exhibit III-7. Properties in the United States reported the highest amount of food sales per seat in 1981. Surprisingly, their Canadian neighbors recorded the smallest amount, 86 percent below the total food sales per seat achieved by hotels in the United States. This pattern was reversed when comparisons were made of the amount per available room of beverage sales, by facility. In this measurement, Canadian properties reported a considerably higher amount than their American counterparts.

Exhibit III-7
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,383	$3,812	$3,363	$4,539
Room Service	398	537	379	490
Banquet	2,445	2,321	2,552	1,471
Bar/Lounge	189	287	163	445
Total	$6,682	$6,900	$6,631	$6,726
Ratio to Total Sales				
Dining Room	55.8%	52.8%	55.1%	66.3%
Room Service	6.7	8.1	6.7	6.7
Banquet	35.5	31.3	37.8	24.9
Bar/Lounge	2.9	4.2	2.2	9.1
Amount Per Seat				
Dining Room	$4,923	$4,574	$5,602	$2,584
Banquet	718	638	741	1,203
Bar/Lounge	367	437	277	1,194
Total	$1,861	$1,309	$2,447	$1,922
Average Check				
Dining Room	$ 6.59	$ 6.10	$ 6.45	$ 8.71
Room Service	5.91	5.05	6.02	6.65
Banquet	10.49	9.12	10.93	9.74
Total	$ 7.48	$ 7.20	$ 7.51	$ 8.52
Covers Served Per Seat				
Dining Room	701	701	799	**
Banquet	69	74	61	**

*All figures are medians and do not necessarily add to totals shown.
**Insufficient data.

Exhibit III-7 (continued)
Food and Beverage Statistics*
North America

	Total Region	Canada	United States	Caribbean
Room Service Sales				
Per Occupied Room				
Food	$ 1.59	$ 2.11	$ 1.49	$ 2.00
Beverage	.53	.75	.44	.63
Total	$ 2.05	$ 2.75	$ 1.81	$ 2.60
Per Guest				
Food	$ 1.31	$ 1.59	$ 1.23	$ 1.43
Beverage	.44	.52	.36	.49
Total	$ 1.81	$ 2.20	$ 1.54	$ 1.94
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 876	$1,029	$ 876	$ 687
Room Service	125	207	108	164
Banquet	755	1,038	741	506
Bar/Lounge	1,322	1,555	1,270	1,429
Total	$2,747	$4,022	$2,560	$3,443
Ratio to Total Beverage Sales				
Dining Room	29.5%	23.6%	35.0%	22.1%
Room Service	4.6	4.4	4.6	4.7
Banquet	22.4	21.4	23.2	15.6
Bar/Lounge	48.0	46.3	48.0	49.8
Ratio to Food Sales				
Dining Room	23.8%	28.1%	23.9%	17.0%
Room Service	28.3	39.6	26.2	35.5
Banquet	28.2	41.3	27.0	37.9
Total (Including Bar/Lounge)	41.3	55.7	39.9	42.5
Amount Per Seat				
Dining Room	$1,010	$1,325	$ 954	$ 154
Banquet	264	274	256	502
Bar/Lounge	2,598	2,640	2,618	2,568
Total	$ 884	$ 784	$ 937	$ 917

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

An analysis of information about payroll, employee benefits and employment statistics for Region III is displayed in Exhibit III-8. Net payroll and related expenses rose for all areas in 1981 when compared with 1980 figures. As demonstrated by the relatively unchanged levels of the productivity index (total sales divided by net payroll and related expenses), this rise was substantial enough for hotels reporting from Canada and the United States to offset gains achieved in total sales. Caribbean properties experienced a large drop in the index as total sales fell in conjunction with increased payroll and related expenses.

Undistributed operating expenses

Exhibit III-9 presents an analysis of the undistributed operating expenses for this region. Cost per

Exhibit III-8
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
North America

	Total Region	Canada	United States	Caribbean
Payroll & Related Expenses				
Amount Per Room Cash Payroll	$ 6,818	$ 7,974	$ 6,660	$ 6,118
Net Payroll & Related Expenses**	9,145	9,253	8,875	10,558
Employee Benefits—Ratio to Cash Payroll	33.1%	20.8%	33.4%	65.0%
Cost Per Employee				
Cash Payroll	$ 9,970	$ 8,797	$10,342	$ 7,088
Net Payroll & Related Expenses**	13,042	11,264	13,551	10,748
Employment Statistics				
Sales Per Employee				
Rooms	$61,084	$55,645	$62,300	$47,887
Food & Beverage	25,087	23,469	25,175	20,272
Telephone	47,989	63,891	47,989	40,249
Minor Departments	20,832	17,845	27,478	11,225
Total Sales Per Employee	$36,293	$29,428	$39,759	$23,953
Productivity Index				
1981	2.92	2.76	2.98	2.54
1980	2.94	2.83	2.97	2.99
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	22.6	19.4	22.6	24.9
Food & Beverage	41.6	43.6	37.7	43.4
Telephone	1.4	1.2	1.4	1.6
Minor Departments	1.7	1.6	1.8	1.5
Administrative & General	5.9	5.2	5.3	7.0
Marketing—Sales	1.4	1.7	1.5	1.0
Marketing—Other	0.4	0.3	0.5	0.4
Property Operation & Maintenance	3.4	3.9	3.1	5.8
Personnel	0.7	0.5	0.7	1.4
House Laundry	2.7	2.4	2.7	4.3
Other	1.2	1.2	1.6	0.5
Total	69.2	74.5	65.2	95.9

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

available room, ratio to room sales and ratio to total sales for 1981 are shown together with the percentage variance. Reflecting the difficult year experienced by Caribbean properties, all undistributed operating expenses in relation to total sales fell when compared with 1980 levels. These properties were forced to curtail expenditures in the face of falling revenue.

Exhibit III-9
Analysis of Undistributed Operating Expenses*
North America

	Total Region	Canada	United States	Caribbean
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,097	$1,005	$1,096	$1,477
Other	1,664	1,256	1,754	1,444
Total	$2,719	$2,233	$2,769	$3,015
Ratio to:				
Room Sales	19.4%	18.9%	19.3%	24.6%
Total Sales—1981	10.8	9.3	10.9	12.8
Total Sales—1980	11.1	7.9	11.6	12.9
Increase (Decrease)	(2.7)%	17.7%	(6.0)%	(0.8)%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 342	$ 263	$ 360	$ 204
Other	897	938	871	809
Total	$1,219	$1,257	$1,223	$ 941
Ratio to:				
Room Sales	8.4%	8.6%	8.4%	8.3%
Total Sales—1981	4.5	4.2	4.5	4.0
Total Sales—1980	4.4	4.9	4.3	4.9
Increase (Decrease)	2.3%	(14.3)%	4.7%	(18.4)%
Energy Costs				
Cost Per Available Room	$1,137	$ 853	$1,153	$2,000
Ratio to:				
Room Sales	8.4%	7.0%	8.5%	14.1%
Total Sales—1981	4.8	3.3	4.9	6.0
Total Sales—1980	4.5	3.4	4.4	7.8
Increase (Decrease)	6.7%	(2.9)%	11.4%	(23.1)%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 613	$ 626	$ 602	$ 964
Other	749	857	709	1,027
Total	$1,410	$1,506	$1,355	$2,076
Ratio to:				
Room Sales	9.4%	12.2%	9.0%	16.2%
Total Sales—1981	5.3	6.0	5.2	8.8
Total Sales—1980	5.9	5.8	5.3	8.6
Increase (Decrease)	(10.2)%	3.4%	(1.9)%	2.3%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-10 shows energy costs per occupied room per day for Region III. With increased costs for electricity providing the major thrust, net energy cost per occupied room per day rose in all subregions in 1981. Even in Canada, where hydroelectric power is abundant, net energy costs rose more than 55 percent.

Credit and collection data

Travelers in the U.S. have a definite preference for using credit cards according to Exhibit III-11, which shows the method of payment for hotel services. Although the U.S. properties reported that 51 percent of payments were made with credit cards, this represents a 13.4 decline compared with 1980.

As expected, the amount per occupied room of credit card commissions rose for all areas with the exception of the Caribbean, where it fell more than 26 percent. Exhibit III-12 shows credit card usage for Region III.

Fixed charges

Exhibit III-13 shows a comparison by area of the median amounts per available room and ratios to

Exhibit III-10
Energy Costs Per Occupied Room Per Day*
North America

	Total Region	Canada	United States	Caribbean
Fuel	$ .93	$ .80	$ .91	$ 1.28
Electricity	3.02	1.71	3.09	7.55
Water	.32	.32	.31	.83
Steam	1.98	1.73	2.28	—
Credit for Sale of Energy	(.05)	(.05)	(.05)	(.15)
Net Energy Cost—1981	$4.88	$3.53	$4.95	$10.43
Net Energy Cost—1980	$3.75	$2.27	$3.75	$ 8.63
Increase (Decrease)	30.1%	55.5%	32.0%	20.9%

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-11
Method of Payment for Hotel Services*
North America

	Total Region	Canada	United States	Caribbean
Cash	27.5%	31.5%	26.3%	27.4%
Credit Card	47.4	45.9	51.0	29.1
Travel Agents & Tour Operators	6.8	4.2	4.5	24.0
All Other Credit	18.3	18.4	18.2	19.5

*Based on arithmetic mean.

Exhibit III-12
Credit Card Commission Annual Cost Per Occupied Room*
North America

	Total Region	Canada	United States	Caribbean
Annual Cost Per Occupied Room	$476	$457	$484	$262
Ratio to Total Sales	2.4%	2.4%	2.4%	1.4%

*All figures are medians.

total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation. Because of large increases in the amount per available room of total fixed charges, each subregion in this section recorded a double digit increase in the ratio of fixed charges to total sales for the second straight year. For U.S. properties, a 72 percent increase in interest expense provided the major impetus for the dramatic rise recorded in total fixed charges.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit III-14. With the exception of Caribbean properties, liquidity dropped sharply in 1981 for hotels in North America. The sharpest drop was recorded in Canada, where the current position, or ratio of current assets to current liabilities, declined from $1.39 in 1980 to $.58 in 1981. American properties experienced a drop, but

Exhibit III-13
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
North America

	Total Region	Canada	United States	Caribbean
Amount Per Room				
Rent	$ 901	$ 764	$ 630	$6,473
Property Taxes	744	1,053	704	54
Insurance on Buildings & Contents	92	72	95	149
Interest Expense	1,545	1,206	1,588	**
Depreciation & Amortization	1,291	991	1,359	483
Total Fixed Charges	$4,555	$3,853	$4,785	$6,406
Ratio to Total Sales—1981	18.4%	13.6%	20.1%	14.6%
Ratio to Total Sales—1980	15.8	21.1	16.4	12.4
Increase (Decrease)	16.5%	35.6%	22.6%	17.7%

*All figures are medians and do not necessarily add to totals shown.
**Insufficient data.

Exhibit III-14
Balance Sheet Statistics—Liquidity Ratios*
North America

	Total Region	Canada	United States	Caribbean
Current Position:				
Ratio of Current Assets to Current Liabilities	$ .95	$ .58	$ .96	$ 1.03
Accounts Receivable:				
Amount Per Room	$1,344	$1,187	$1,323	$2,419
Ratio to Total Sales	5.0%	4.6%	4.8%	11.0%
Food Inventory				
Amount Per Room	$ 92	$ 131	$ 85	$ 319
Annual Turnover	24.2	22.6	25.0	11.3
Beverage Inventory				
Amount Per Room	$ 75	$ 224	$ 68	$ 217
Annual Turnover	6.6	6.1	7.1	4.7
Operating Supplies Inventory				
Amount Per Room	$ 298	$ 241	$ 298	$ 439

*All figures are medians.
**Insufficient data.

not of the same magnitude. Turnover of food and beverage inventories also was slightly lower for all areas in this region. Exhibits III-15 and III-16 contain the median amounts per available room and ratios to total sales for North America.

Exhibit III-15
Statement of Income and Expenses—Median Amounts Per Available Room*
North America

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	$14,096	$12,368	$14,636	$12,829
Departmental Expenses				
Payroll & Related Expenses	2,348	2,192	2,365	2,455
Other	1,072	1,070	1,030	1,698
Total	3,468	3,219	3,534	3,677
Departmental Income	10,597	9,046	11,162	9,474
Food & Beverage				
Sales				
Food	6,682	6,900	6,631	6,726
Beverage	2,747	4,022	2,560	3,443
Total	9,640	10,537	9,250	10,169
Cost of Sales				
Food	2,281	2,288	2,239	2,510
Beverage	624	1,257	564	782
Total	2,979	3,418	2,772	3,325
Gross Profit	6,658	7,186	6,546	6,748
Public Room Sales	215	300	200	30
Other Income	68	106	60	200
Gross Profit & Other Income	6,985	8,115	6,851	6,934
Departmental Expenses				
Payroll & Related Expenses	4,095	4,618	3,903	4,860
Other	1,155	1,271	1,099	1,617
Total	5,318	6,095	5,046	6,626
Departmental Income	1,522	1,864	1,525	103
Telephone Departmental Income	(182)	(150)	(184)	(391)
Net Income From Minor Operated Departments	42	42	42	88
Rentals & Other Income	289	478	270	521
Gross Income	13,036	11,582	13,556	10,429
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,097	1,005	1,096	1,477
Other	1,664	1,256	1,754	1,444
Total	2,719	2,233	2,769	3,015
Marketing	1,219	1,257	1,223	941
Energy Costs	1,137	853	1,153	2,000
Property Operation & Maintenance	1,410	1,506	1,355	2,076
Total Undistributed Expenses	6,846	5,879	6,937	7,951
Income Before Fixed Charges	6,067	5,621	6,427	515
Property Taxes & Insurance	836	1,125	799	203
Income Before Interest & Depreciation	$3,846	$2,725	$4,137	$1,395

*All figures are medians and do not necessarily add to totals shown.

Exhibit III-16
Ratio to Total Sales*
North America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Canada	United States	Caribbean
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	16.8	17.8	16.6	16.2
Other	7.9	8.6	7.8	13.8
Total	25.2	26.2	24.5	30.0
Departmental Income	74.8	73.8	75.5	70.0
Ratio to Total Sales	41.2	37.1	43.3	36.4
Food & Beverage				
Sales				
Food	70.8	64.3	71.5	70.2
Beverage	29.2	35.8	28.5	29.8
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.3	35.1	34.0	37.2
Beverage	21.9	30.0	20.9	23.7
Total	31.1	32.8	30.4	34.6
Gross Profit	68.9	67.2	69.6	65.4
Public Room Sales	2.5	3.0	2.4	.3
Other Income	.9	1.0	.8	2.0
Gross Profit & Other Income	73.0	71.7	73.5	68.7
Departmental Expenses				
Payroll & Related Expenses	41.9	42.6	41.7	44.3
Other	12.2	11.7	12.2	18.5
Total	54.7	54.7	54.2	63.2
Departmental Income	19.3	19.2	20.3	1.7
Ratio to Total Sales	7.0	7.6	7.2	.8
Telephone Departmental Profit	(1.3)	(1.5)	(1.3)	(1.2)
Net Income From Minor Operated Departments	.2	.2	.2	.4
Rentals & Other Income	1.3	1.7	1.2	1.8
Gross Income	51.5	45.9	52.9	37.2
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.4	4.0	4.4	6.3
Other	6.4	5.4	6.9	6.5
Total	10.8	9.3	10.9	12.8
Marketing	4.5	4.2	4.5	4.0
Energy Costs	4.8	3.3	4.9	6.0
Property Operation & Maintenance	5.3	6.0	5.2	8.8
Total Undistributed Expenses	25.6	22.8	26.0	33.7
Income Before Fixed Charges	24.4	22.9	25.6	2.2
Property Taxes & Insurance	3.2	4.4	3.4	.8
Income Before Interest & Depreciation	16.6%	15.0%	17.3%	2.8%

Section IV
Europe

The financial and statistical analysis of the European contributors to this study is included in this section. The European subregions are Continental Europe, Scandinavia and the United Kingdom. The typical contributor from Europe is identified and defined in Exhibit IV-1, and the highlights of the analysis of operating results are shown in Exhibit IV-2.

Performance measurements

European currencies, more than any other, were affected adversely by the dramatic increase in the value of the U.S. dollar. During 1981, conversion rates for the U.S. dollar reached some of the highest levels ever recorded when compared with major European currencies. Therefore, while most measurements reflect a substantial drop in operating performance for the European properties, those results must be tempered by the degree to which currency fluctuations affected them. To help the reader understand the impact of the currency values, Appendix 1 (page 80) presents the currency conversion factors used in the 1981 and 1982 studies and the percent change.

Reflecting the unfavorable currency exchange rates, median total sales per available room fell sharply for European properties in 1981. This trend also was apparent for the amount per room of income before fixed charges and net income before taxes. The comparison of total sales and income is shown in Exhibit IV-3.

However, a decline in European currencies against the U.S. dollar was not the only reason 1981 was a difficult year for the European lodging industry. As shown in the ratio of income before fixed charges to total sales or to room sales, profit margins, which are not affected by currency fluctuations, declined sharply for properties located in Scandinavia and moderately for those in the United Kingdom. Only those properties located in Continental Europe reported increases in profit margins. Properties in each of the subregions reported a decline in the number of times the average rate was earned.

Exhibit IV-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Europe

Criteria	Category of Typical Contributor
Age	Post 1969
Size	300–600 rooms
Occupancy	60%–69%
Average Rate	$55–$69.99
Sales Volume	Greater than $12 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 60% and 84% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1980

Exhibit IV-2
Highlights*
Europe

- Total revenue decreased 18.2 percent on a per room basis.
- Room occupancy dropped 3.8 percent to 65.9 percent compared with 68.5 percent in 1980.
- The average daily rate per occupied room was $43.36 compared with $51.11 in 1980, a decrease of 15.2 percent.
- Payroll and related expenses per room dropped 7.1 percent from $12,973 to $12,110
- Income before income taxes decreased 20.1 percent on a per room basis, while sales decreased 18.2 percent. The ratio to total sales dropped slightly to 7.9 percent from 8.7 percent in 1980.

*Based on medians.

Occupancy and average rate

As Exhibit IV-4 illustrates, properties in Scandinavia reported some of the largest increases in the occupancy rate of any area covered in this year's analysis. Therefore, the decline in profit margins of the Scandinavian properties, mentioned earlier, was primarily the result of increases in costs rather than a decrease in demand. In contrast to the sharp increase in occupancies for the Scandinavian properties, those located in the United Kingdom reported a significant decline in occupancies. Given a decline of this magnitude, it is remarkable that hotel managements in the United Kingdom succeeded in holding the decline in profit margins to a minimum.

Exhibit IV-3
Comparison of Sales and Profitability*
Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1981	1980	1981	1980	1981	1980	1981	1980
Amounts Per Available Room								
Total Sales	$20,932	$25,590	$22,542	$25,451	$20,184	$24,511	$20,178	$25,796
Income Before Fixed Charges	4,612	6,128	4,840	5,420	4,011	7,603	4,418	6,190
Net Income** or (Loss)	$ 1,556	$ 2,647	$ 1,049	$ 1,623	$ 903	$ 5,653	$ 1,967	$ 3,357
Ratio of Income Before Fixed Charges								
Room Sales	44.6%	45.6%	44.5%	43.8%	43.8%	60.3%	44.8%	45.8%
Total Sales	22.1	23.5	22.6	21.9	24.2	31.9	21.7	23.0
Number of Times Average Rate Was Earned	106	113	106	109	103	123	106	113
Increase (Decrease)	(6.2)%		(2.8)%		(16.3)%		(5.3)%	

*All figures are medians.
**Before income tax.

Exhibit IV-4
Occupancy, Double Occupancy, Room Rates and Length of Stay*
Europe

	Total Region		Continental Europe		Scandinavia		United Kingdom	
	1981	1980	1981	1980	1981	1980	1981	1980
Annual Room Occupancy	65.9%	68.5%	69.0%	69.4%	72.1%	64.0%	62.7%	68.1%
Number of Guests Per Room	1.34	1.37	1.35	1.36	1.31	1.75	1.32	1.32
Average Daily Rate								
Per Room (U.S. Dollars)	$43.36	$51.11	$49.88	$53.40	$39.07	$39.99	$41.65	$51.44
Per Guest (U.S. Dollars)	32.18	36.46	40.16	41.32	30.40	25.80	29.77	36.61
Length of Stay (Days)	2.0	1.9	2.1	2.0	1.7	1.9	2.0	1.9

*All figures are medians.

Analysis of sales

Properties located in Continental Europe derived a larger percentage of revenue from room sales than those in both Scandinavia and the United Kingdom, as shown in Exhibit IV-5. However, properties in the United Kingdom relied more heavily on food and beverage sales than did those in either of the other two areas.

Exhibit IV-6 presents a full analysis of revenue and expenses for minor operated departments on the basis of amounts per available room and ratio to sales. Continental European properties received a substantial amount of revenue from the telephone department as an amount per room, but also generated a correspondingly high level of costs and expenses in this department. The telephone department increasingly is becoming a profit center as new technology permits hotel management to reduce costs in this department. Properties in both Continental Europe and Scandinavia succeeded in earning healthy profits in the telephone department, but properties in the United Kingdom reported a slight loss.

Sales per available room from minor operated departments reported by Scandinavian properties were more than twice as high as those reported by properties in other subregions. Properties in Continental Europe received substantially more from rentals and other income.

Exhibit IV-5
Composition of Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms	50.4%	52.5%	50.4%	48.6%
Food	28.1	25.7	27.2	30.1
Beverage	13.9	12.5	14.2	15.0
Telephone	3.7	4.7	3.1	2.6
Minor Operated Departments	1.3	1.3	2.9	1.0
Rentals & Other Income	2.6	3.3	2.2	2.7
Total	100.0%	100.0%	100.0%	100.0%

*Based on arithmetic mean.

Exhibit IV-6
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Telephone				
Amount Per Available Room				
Sales	$660	$1,037	$617	$437
Cost of Sales				
Cost of Calls	400	570	267	316
Equipment Rental	86	54	61	104
Total	460	716	313	373
Payroll & Related Expenses	203	191	182	212
All Other Expenses	9	9	8	10
Total Cost & Expenses	591	850	367	483
Net Departmental Income or (Loss)	$ 70	$ 160	$169	$ (6)
Ratio to Total Sales				
Sales	3.3%	9.2%	6.0%	1.2%
Cost of Sales	2.1	5.9	3.4	1.1
Payroll & Related Expenses	0.7	1.4	1.7	0.4
Minor Operated Departments				
Amount Per Available Room				
Sales	$206	$ 254	$548	$164
Cost of Sales	110	109	124	111
Payroll & Related Expenses	133	125	186	134
Other Expenses	21	21	41	17
Total Costs & Expenses	209	199	193	233
Net Departmental Income	$ 47	$ 64	$123	$ 31
Ratio to Total Sales				
Sales	1.1%	1.1%	2.4%	.8%
Cost of Sales	.5	.5	.6	.5
Payroll & Related Expenses	.5	.5	.7	.5
Rentals & Other Income				
Amount Per Available Room				
Space Rentals	$ 76	$ 84	$ 67	$ 59
Concessions	80	108	105	55
Commissions	58	35	110	92
Other	133	193	18	99
Total Rentals & Other Income	$232	$ 412	$116	$162
Ratio to Total Sales	1.1%	1.9%	.5%	.8%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit IV-7 shows food and beverage sales per available room and per seat by facility along with information about average check and number of persons served. Surprisingly, there was little variation among the subregions covered in this section. Prop-

Exhibit IV-7
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Food Sales—By Facility				
Amount Per Available Room				
Dining Room	$3,728	$3,808	$4,378	$3,693
Room Service	589	710	449	490
Banquet	1,343	1,375	1,526	1,245
Bar/Lounge	137	109	506	179
Total	$5,938	$5,473	$5,343	$6,045
Ratio to Total Sales				
Dining Room	67.7%	67.5%	77.0%	67.1%
Room Service	10.0	11.4	5.7	9.6
Banquet	23.6	23.7	23.0	22.7
Bar/Lounge	2.3	1.7	5.6	3.0
Amount Per Seat				
Dining Room	$5,194	$5,243	$2,113	$5,775
Banquet	707	706	712	799
Bar/Lounge	245	272	1,174	109
Total	$2,140	$1,939	$2,105	$2,640
Average Check				
Dining Room	$ 8.42	$ 8.43	$ 4.79	$ 8.44
Room Service	5.97	6.06	5.97	4.93
Banquet	10.77	11.00	8.43	10.77
Total	$ 8.64	$ 8.58	$ 7.58	$ 8.79
Covers Served Per Seat				
Dining Room	635	622	329	697
Banquet	76	66	130	81

*All figures are medians and do not necessarily add to totals shown.

erties in the United Kingdom generated more food and beverage sales per seat and maintained a higher average check than those in the other two areas. However, properties in Continental Europe generated higher room service sales per occupied room and per guest.

Exhibit IV-7 (continued)
Food and Beverage Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Room Service Sales				
Per Occupied Room				
Food	$ 2.45	$ 2.81	$ 1.71	$ 2.22
Beverage	.56	.81	.28	.50
Total	$ 2.94	$ 3.30	$ 3.01	$ 2.59
Per Guest				
Food	$ 1.81	$ 2.16	$ 1.29	$ 1.55
Beverage	.41	.54	.20	.33
Total	$ 2.14	$ 2.82	$ 1.45	$ 1.94
Beverage Sales—By Facility				
Amount Per Available Room				
Dining Room	$ 797	$ 838	$1,298	$ 714
Room Service	129	194	75	99
Banquet	646	521	929	679
Bar/Lounge	1,126	1,041	1,514	1,227
Total	$2,880	$2,619	$3,002	$2,961
Ratio to Total Beverage Sales				
Dining Room	28.7%	32.9%	55.0%	24.9%
Room Service	5.8	7.5	2.3	5.0
Banquet	21.0	21.1	26.0	21.0
Bar/Lounge	41.6	34.6	34.0	45.0
Ratio to Food Sales				
Dining Room	21.5%	24.0%	35.5%	18.1%
Room Service	23.5	23.2	27.4	24.5
Banquet	50.2	48.0	63.1	50.4
Total (Including Bar/Lounge)	47.1	48.9	40.3	45.7
Amount Per Seat				
Dining Room	$1,155	$1,393	$1,174	$1,019
Banquet	359	335	487	383
Bar/Lounge	4,135	3,139	3,508	2,283
Total	$1,148	$1,072	$1,120	$1,179

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Net payroll and related expenses per room were higher at properties in Continental Europe than at those in either of the other two subregions, as shown in Exhibit IV-8. However, Scandinavian properties reported the highest cost per employee and, as could be expected, operated with the fewest number of full-time equivalent employees per 100 available rooms. The low number of employees in Scandinavian properties also translated into the highest sales per employee of the areas in this region. The productivity index (total sales divided by net payroll and related expenses) was highest for properties in the United Kingdom because of managements' ability to generate a relatively high level of sales per employee and maintain payroll costs.

Undistributed operating expenses

Exhibit IV-9 presents an analysis of the undistributed operating expenses of hotels in Europe on

Exhibit IV-8
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Payroll & Related Expenses				
Amount Per Room				
Cash Payroll	$ 6,002	$ 6,276	$ 6,358	$ 5,624
Net Payroll & Related Expenses**	7,610	8,624	$ 7,917	6,821
Employee Benefits— Ratio to Cash Payroll	29.8%	37.7%	44.5%	23.7%
Cost Per Employee				
Cash Payroll	$ 9,690	$10,063	$11,173	$ 9,060
Net Payroll & Related Expenses**	12,110	13,812	16,735	10,296
Employment Statistics				
Sales Per Employee				
Rooms	$50,493	$57,443	$61,682	$41,817
Food & Beverage	26,892	28,819	34,722	25,681
Telephone	57,821	76,184	51,295	39,484
Minor Departments	27,004	36,212	38,671	19,020
Total Sales Per Employee	$31,984	$34,343	$39,839	$29,099
Productivity Index				
1981	2.75	2.63	2.73	2.91
1980	2.73	2.53	2.97	2.92
Number of Full-Time Equivalent Employees Per 100 Available Rooms				
Rooms	23.4	22.8	16.8	24.6
Food & Beverage	35.1	34.3	26.5	38.2
Telephone	1.9	1.6	1.2	2.0
Minor Departments	1.4	1.2	1.7	1.4
Administrative & General	7.1	7.9	2.7	6.8
Marketing—Sales	1.1	1.1	1.3	1.1
Marketing—Other	0.5	0.6	***	0.4
Property Operation & Maintenance	3.6	4.3	1.1	3.3
Personnel	0.8	0.7	0.4	1.1
House Laundry	3.5	3.2	5.6	4.2
Other	0.6	0.6	***	0.5
Total	76.1	78.3	48.3	78.4

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.
***Insufficient data.

three bases: cost per available room, ratio to room sales and ratio to total sales. In relation to total sales, administrative and general expenses and energy costs increased moderately from 1980 to 1981 for each of the three areas in Region IV. Marketing expenses and property operation and maintenance declined considerably for properties in Scandinavia and the United Kingdom, but increased for hotels in Continental Europe.

Exhibit IV-9
Analysis of Undistributed Operating Expenses*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Administrative & General				
Cost Per Available Room				
Payroll & Related Expenses	$1,060	$1,188	$ 735	$1,018
Other	1,216	1,058	619	1,622
Total	$2,495	$2,382	$1,364	$2,791
Ratio to:				
Room Sales	20.7%	19.1%	12.6%	24.7%
Total Sales—1981	10.7	10.3	6.7	12.9
Total Sales—1980	10.3	9.7	6.5	12.6
Increase (Decrease)	3.9%	6.2%	3.1%	2.4%
Marketing				
Cost Per Available Room				
Payroll & Related Expenses	$ 198	$ 212	$ 213	$ 118
Other	461	592	367	395
Total	$ 590	$ 809	$ 380	$ 395
Ratio to:				
Room Sales	5.2%	6.5%	4.7%	4.2%
Total Sales—1981	2.5	3.5	2.2	1.8
Total Sales—1980	2.8	3.0	4.8	1.9
Increase (Decrease)	(10.7)%	16.7%	(54.2)%	(5.3)%
Energy Costs				
Cost Per Available Room	$ 952	$1,025	$ 751	$ 923
Ratio to:				
Room Sales	9.0%	8.6%	8.5%	9.3%
Total Sales—1981	4.4	4.5	3.9	4.4
Total Sales—1980	4.1	4.2	3.8	4.0
Increase (Decrease)	7.3%	7.1%	2.6%	10.0%
Property Operation & Maintenance				
Cost Per Available Room				
Payroll & Related Expenses	$ 439	$ 571	$ 270	$ 357
Other	666	700	676	647
Total	$1,116	$1,294	$ 996	$1,011
Ratio to:				
Room Sales	10.2%	10.6%	9.8%	9.9%
Total Sales—1981	5.1	5.7	4.3	4.9
Total Sales—1980	5.5	5.6	5.1	5.5
Increase (Decrease)	(7.3)%	1.8%	(15.7)%	(10.9)%

*All figures are medians and do not necessarily add to totals shown.

Energy costs per occupied room per day, presented in Exhibit IV-10, decreased in each of the areas in this region. Scandinavian properties reported a sharp decline, while the drop reported by those in the other two areas was more moderate.

Credit and collection data

Unlike their North American counterparts, European travelers still prefer to pay for their hotel services with cash. The only area in Europe that reversed this trend in 1981 was the United Kingdom, where 35.3 percent of guests used credit cards and only 31.5 percent settled their accounts with cash. Method of payment for hotel services is illustrated in detail for Europe in Exhibit IV-11.

The ratio of credit card commissions to total sales

Exhibit IV-10
Energy Costs Per Occupied Room Per Day*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Fuel	$1.67	$1.25	$1.51	$1.87
Electricity	1.96	2.05	1.14	1.87
Water	.41	.58	.53	.32
Steam	1.41	1.46	1.15	1.50
Credit for Sale of Energy	(.20)	(.28)	(.06)	(.02)
Net Energy Cost—1981	$4.15	$4.34	$2.90	$4.14
Net Energy Cost—1980	4.53	4.53	4.03	4.60
Increase (Decrease)	(8.4)%	(4.2)%	(28.0)%	(10.0)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-11
Method of Payment for Hotel Services*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Cash	34.7%	36.5%	33.0%	31.3%
Credit Card	29.2	26.2	29.7	35.1
Travel Agents & Tour Operators	15.3	17.6	19.2	8.9
All Other Credit	20.8	19.7	18.1	24.7

*Based on arithmetic mean.

and the annual cost per occupied room are presented in Exhibit IV-12.

Fixed charges

The median amounts per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation, are shown in Exhibit IV-13. Hotels in Scandinavia experienced sharp increases in fixed charges, evidenced by a jump of more than 37 percent in total fixed charges as a ratio to total sales. In general, total fixed charges increased throughout Europe.

Exhibit IV-12
Credit Card Commission
Annual Cost Per Occupied Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Annual Cost Per Occupied Room	$272	$305	$222	$270
Ratio to Total Sales	1.8%	1.8%	1.6%	1.9%

*All figures are medians.

Exhibit IV-13
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Amount Per Room				
Rent	$1,052	$1,769	$1,464	$ 425
Property Taxes	615	203	302	704
Insurance on Buildings & Contents	96	107	79	91
Interest Expense	585	633	189	990
Depreciation & Amortization	756	1,032	664	676
Total Fixed Charges	$2,294	$3,458	$3,038	$1,609
Ratio to Total Sales—1981	10.4%	15.7%	15.9%	8.1%
Ratio to Total Sales—1980	10.0	15.6	11.6	7.0
Increase (Decrease)	4.0%	0.6%	37.1%	15.7%

*All figures are medians and do not necessarily add to totals shown.

Balance sheet statistics

The more significant balance sheet ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit IV-14. Liquidity remained relatively stable in 1981 for European hotels providing this information. Accounts receivable dropped slightly in ratio to total sales, as did the turnover of both food and beverage inventories. For the region, the turnover of food inventories fell more than 16 percent in 1981.

Exhibits IV-15 and IV-16 display the median amounts per available room and ratios to total sales for the European sample.

Exhibit IV-14
Balance Sheet Statistics—Liquidity Ratios*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Current Position:				
Ratio of Current Assets to Current Liabilities	$ 1.04	$ 1.03	$1.14	$ 1.06
Accounts Receivable:				
Amount Per Room	$1,739	$1,751	$ 705	$2,011
Ratio to Total Sales	6.9%	6.5%	3.6%	7.3%
Food Inventory				
Amount Per Room	$ 104	$ 127	$ 114	$ 89
Annual Turnover	23.6	18.8	16.6	33.4
Beverage Inventory				
Amount Per Room	$ 180	$ 180	$ 116	$ 229
Annual Turnover	3.4	2.7	4.8	5.0
Operting Supplies Inventory				
Amount Per Room	$ 357	$ 347	$ 142	$ 393

*All figures are medians.

Exhibit IV-15
Statement of Income and Expenses—Median Amounts Per Available Room*
Europe

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	$10,500	$11,768	$9,857	$9,385
Departmental Expenses				
Payroll & Related Expenses	2,150	2,311	2,559	2,061
Other	1,067	1,161	989	948
Total	3,233	3,459	3,701	3,000
Departmental Income	7,276	8,180	6,456	6,672
Food & Beverage				
Sales				
Food	5,938	5,473	5,343	6,045
Beverage	2,880	2,619	3,002	2,961
Total	8,922	8,391	9,130	9,218
Cost of Sales				
Food	2,046	1,823	2,166	2,126
Beverage	861	554	705	1,218
Total	3,045	2,407	2,900	3,352
Gross Profit	5,794	6,109	6,090	5,776
Public Room Sales	215	142	132	283
Other Income	97	166	86	39
Gross Profit & Other Income	6,208	6,339	6,422	6,020
Departmental Expenses				
Payroll & Related Expenses	3,595	3,815	3,836	3,355
Other	616	770	957	564
Total	4,184	4,618	4,591	3,939
Departmental Income	1,687	1,481	733	1,815
Telephone Departmental Income	70	160	169	(6)
Net Income From Minor Operated Departments	47	64	123	31
Rentals & Other Income	232	412	116	162
Gross Income	9,574	10,579	8,065	9,141
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	1,060	1,188	735	1,018
Other	1,216	1,058	619	1,622
Total	2,495	2,382	1,364	2,791
Marketing	590	809	380	395
Energy Costs	952	1,025	751	923
Property Operation & Maintenance	1,116	1,294	996	1,011
Total Undistributed Expenses	5,155	5,667	3,372	5,022
Income Before Fixed Charges	4,612	4,840	4,011	4,418
Property Taxes & Insurance	711	310	381	795
Income Before Interest & Depreciation	$ 2,473	$ 2,325	$1,752	$2,863

*All figures are medians and do not necessarily add to totals shown.

Exhibit IV-16
Ratio to Total Sales*
Europe

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Total Region	Continental Europe	Scandinavia	United Kingdom
Rooms				
Sales	100.0%	100.0%	100.0%	100.0%
Departmental Expenses				
Payroll & Related Expenses	21.1	20.5	24.7	21.1
Other	9.4	8.6	10.5	8.8
Total	30.7	30.2	35.3	30.7
Departmental Income	69.3	69.8	64.7	69.3
Ratio to Total Sales	35.1	35.8	35.3	33.3
Food & Beverage				
Sales				
Food	68.0	67.2	71.3	68.6
Beverage	32.0	32.8	28.7	31.4
Total	100.0	100.0	100.0	100.0
Cost of Sales				
Food	34.2	33.3	39.0	34.4
Beverage	31.7	21.1	26.5	41.5
Total	33.3	29.1	36.0	36.2
Gross Profit	66.8	70.9	64.0	63.8
Public Room Sales	2.6	1.8	1.4	3.1
Other Income	.9	1.4	1.0	.4
Gross Profit & Other Income	70.2	73.4	67.6	66.5
Departmental Expenses				
Payroll & Related Expenses	43.3	46.1	44.3	39.0
Other	7.2	9.3	11.4	6.4
Total	52.1	55.3	56.4	47.0
Departmental Income	18.7	17.5	11.6	21.3
Ratio to Total Sales	7.4	6.9	4.5	9.7
Telephone Departmental Profit	.7	1.6	1.8	(.1)
Net Income From Minor Operated Departments	.3	.3	.5	.2
Rentals & Other Income	1.1	1.9	.5	.8
Gross Income	45.6	47.3	43.4	44.9
Undistributed Operating Expenses				
Administrative & General				
Payroll & Related Expenses	4.7	4.9	3.5	4.6
Other	5.7	4.4	3.0	7.0
Total	10.7	10.3	6.7	12.9
Marketing	2.5	3.5	2.2	1.8
Energy Costs	4.4	4.5	3.9	4.4
Property Operation & Maintenance	5.1	5.7	4.3	4.9
Total Undistributed Expenses	24.0	24.1	18.4	24.2
Income Before Fixed Charges	22.1	22.6	24.2	21.8
Property Taxes & Insurance	3.3	1.8	1.8	3.9
Income Before Interest & Depreciation	13.0%	11.3%	10.3%	13.9%

*All figures are medians and do not necessarily add to totals shown.

Section V
Latin America

Analysis of data and information for Latin America is presented in Section V. Because of insufficient response from two of the subregions, no further breakdowns of data were possible. Consequently, discussion of operating efficiencies and performance is brief and only focuses on regional trends. Next year, we anticipate providing information for the following subregions if the response is sufficient: Mexico, Central America and South America. Once again, medians are shown for most amounts and ratios, while arithmetic means are used in selected schedules.

The typical contributor from Latin America is identified and defined in Exhibit V-1, based on the various measures of central tendency. Highlights of the analysis of operating results are shown in Exhibit V-2.

Performance measurements

Exhibit V-3 compares total sales and income for hotels in Latin America. The median total sales per available room for Region V jumped more than 18 percent to $27,692 in 1981 from $23,388 in 1980. The amount per room of income before fixed charges also rose slightly. However, net income before income taxes dropped 6.2 percent.

The ratios of income before fixed charges to room sales and to total sales, and the number of times the average room rate was earned are illustrated in Exhibit V-3. Properties in this region experienced a

Exhibit V-3
Comparison of Sales and Profitability*
Latin America

	Total Region	
	1981	1980
Amounts Per Available Room		
Total Sales	$27,692	$23,388
Income Before Fixed Charges	7,773	7,142
Net Income** or (Loss)	$ 2,889	$ 3,080
Ratio of Income Before Fixed Charges		
Room Sales	48.3%	52.8%
Total Sales	28.1	27.4
Number of Times Average Rate Was Earned	138	154
Increase (Decrease)	(10.4)%	

*All figures are medians.
**Before income tax.

Exhibit V-1
General Profile of Typical Contributor
Based on Various Measures of Central Tendency
Latin America

Criteria	Category of Typical Contributor
Age	Post 1969
Size	150–299 rooms
Occupancy	60%–69%
Average Rate	over $40
Sales Volume	Under $4 million (U.S.)
Restaurant Operation	Operates a restaurant in which the volume of food and beverage sales is between 75% and 99% of room sales
Other	
Location	Urban
Market	Other than tourist
Rating	First class
Management	Chain affiliated; reported net income before tax in 1980

Exhibit V-2
Highlights*
Latin America

- Total revenue increased 18.4 percent on a per room basis.
- Room occupancy dropped 4 percent to 74.2 percent compared with 77.3 percent in 1980.
- The average daily rate per occupied room was $50.11 compared with $47.39 in 1980, an increase of 26.8 percent.
- Payroll and related expenses per room rose 19.2 percent from $6,360 to $7,582.
- Income before income taxes increased 35.5 percent on a per room basis, although sales rose only 18.4 percent. The ratio to total sales increased slightly to 11.2 percent from 10.9 percent in 1980.

*Based on medians.

decline in these measurements in 1981, with the number of times the average rate was earned dropping more than 10 percent.

Occupancy and average rate

The occupancy rate dropped 4 percent in 1981 in Latin American hotels. The number of guests per room also dropped during the year. However, the average daily room rate increased more than 26 percent to $60.11, primarily because of increased rates. The median length of stay increased 44 percent to 2.6 days. Thus, although fewer people visited these properties, the ones who did stayed considerably longer. This data is presented in Exhibit V-4.

Analysis of sales

The composition of sales for Region V is illustrated in Exhibit V-5. There was little variance from past years or from the other regions.

Exhibit V-6 displays revenue and expenses for minor operated departments on the basis of amounts per available room and ratios to sales. Telephone sales in relation to total sales were 6.5 percent, dramatically higher than any other minor operated department. This is consistent with the trend exhibited by the other regions in 1981.

Exhibit V-4
Occupancy, Double Occupancy, Room Rates and Length of Stay*
Latin America

	Total Region	
	1981	1980
Annual Room Occupancy	74.2%	77.3%
Number of Guests Per Room	1.34	1.50
Average Daily Rate		
Per Room (U.S. Dollars)	$60.11	$47.39
Per Guest (U.S. Dollars)	43.03	37.19
Length of Stay (Days)	2.6	1.8

*All figures are medians.

Exhibit V-5
Composition of Sales*
Latin America

	Total Region
Rooms	52.8%
Food	24.1
Beverage	12.2
Telephone	4.1
Minor Operated Departments	2.6
Rentals & Other Income	4.2
Total	100.0%

*Based on arithmetic mean.

Exhibit V-6
Minor Operated Departments and Other Income
Median Amounts Per Room and Ratios to Sales*
Latin America

	Total Region
Telephone	
Amount Per Available Room	
Sales	$1,127
Cost of Sales	
Cost of Calls	1,038
Equipment Rental	26
Total	1,047
Payroll & Related Expenses	209
All Other Expenses	12
Total Cost & Expenses	1,216
Net Departmental Income or (Loss)	$ 42
Ratio to Total Sales	
Sales	6.5%
Cost of Sales	5.1
Payroll & Related Expenses	0.9
Minor Operated Departments	
Amount Per Available Room	
Sales	$ 662
Cost of Sales	181
Payroll & Related Expenses	181
Other Expenses	54
Total Costs & Expenses	445
Net Departmental Income	$ 231
Ratio to Total Sales	
Sales	2.5%
Cost of Sales	.6
Payroll & Related Expenses	.6
Rentals & Other Income	
Amount Per Available Room	
Space Rentals	$ 240
Concessions	89
Commissions	12
Other	269
Total Rentals & Other Income	$ 577
Ratio to Total Sales	2.4%

*All figures are medians and do not necessarily add to totals shown.

Restaurant operations

Exhibit V-7 shows the food and beverage statistics for those hotels providing the detail. Food sales per available room and per seat by restaurant are presented together with the average sale per customer (average check) and number of persons served (covers) per seat.

Exhibit V-7
Food and Beverage Statistics*
Latin America

	Total Region
Food Sales—By Facility	
Amount Per Available Room	
Dining Room	$4,068
Room Service	576
Banquet	1,718
Bar/Lounge	101
Total	$6,314
Ratio to Total Sales	
Dining Room	61.6%
Room Service	8.7
Banquet	28.3
Bar/Lounge	2.0
Amount Per Seat	
Dining Room	$3,813
Banquet	736
Bar/Lounge	342
Total	$1,550
Average Check	
Dining Room	$ 6.39
Room Service	5.22
Banquet	11.47
Total	$ 6.86
Covers Served Per Seat	
Dining Room	543
Banquet	69

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-7 (continued)
Food and Beverage Statistics*
Latin America

	Total Region
Room Service Sales	
Per Occupied Room	
Food	$ 2.39
Beverage	.64
Total	$ 2.82
Per Guest	
Food	$ 1.73
Beverage	.51
Total	$ 2.18
Beverage Sales—By Facility	
Amount Per Available Room	
Dining Room	$ 961
Room Service	178
Banquet	723
Bar/Lounge	1,384
Total	$3,183
Ratio to Total Beverage Sales	
Dining Room	31.8%
Room Service	4.9
Banquet	22.5
Bar/Lounge	45.3
Ratio to Food Sales	
Dining Room	25.1%
Room Service	24.7
Banquet	39.7
Total (Including Bar/Lounge)	51.9
Amount Per Seat	
Dining Room	$1,067
Banquet	361
Bar/Lounge	2,301
Total	$ 946

*All figures are medians and do not necessarily add to totals shown.

Payroll and related expenses

Information about payroll, employee benefits and employment statistics for properties in Latin America is shown in Exhibit V-8. Consistent with hotels reporting from other regions, the productivity index (total sales divided by net payroll and related expenses) fell more than 5 percent in Region V during 1981.

Undistributed operating expenses

Cost per available room, ratio to room sales and ratio to total sales are presented for the undistributed operating expenses for Latin American properties.

Percentage variances are shown together with the median ratios to total sales for each expense in 1981. No trend across departmental lines was evident; with energy costs rising more than 26 percent while administrative and general expenses fell 7 percent in 1981 as a percentage of total sales. Full detail is presented in Exhibit V-9.

In 1981, energy costs per occupied room per day rose almost 45 percent over 1980 levels, as shown in Exhibit V-10.

Exhibit V-8
Cash Payroll, Employee Benefits, Total Payroll and Employment Statistics*
Latin America

	Total Region
Payroll & Related Expenses	
Amount Per Room	
Cash Payroll	$ 5,414
Net Payroll & Related Expenses**	8,700
Employee Benefits— Ratio to Cash Payroll	81.3%
Cost Per Employee	
Cash Payroll	$ 5,049
Net Payroll & Related Expenses**	$ 7,582
Employment Statistics	
Sales Per Employee	
Rooms	$48,912
Food & Beverage	18,626
Telephone	40,973
Minor Departments	21,606
Total Sales Per Employee	$23,714
Productivity Index	
1981	3.16
1980	3.35
Number of Full-Time Equivalent Employees Per 100 Available Rooms	
Rooms	30.5
Food & Beverage	52.1
Telephone	3.2
Minor Departments	3.7
Administrative & General	11.5
Marketing—Sales	1.1
Marketing—Other	0.5
Property Operation & Maintenance	10.3
Personnel	2.0
House Laundry	4.9
Other	0.7
Total	117.0

*Based on those supplying data. All figures are medians and do not necessarily add to totals shown.
**After credit for service charges.

Exhibit V-9
Analysis of Undistributed Operating Expenses*
Latin America

	Total Region
Administrative & General	
Cost Per Available Room	
Payroll & Related Expenses	$1,495
Other	1,704
Total	$3,095
Ratio to:	
Room Sales	20.7%
Total Sales—1981	10.7
Total Sales—1980	11.5
Increase (Decrease)	(7.0)%
Marketing	
Cost Per Available Room	
Payroll & Related Expenses	$ 179
Other	812
Total	$1,002
Ratio to:	
Room Sales	6.8%
Total Sales—1981	3.4
Total Sales—1980	3.7
Increase (Decrease)	8.1%
Energy Costs	
Cost Per Available Room	$1,109
Ratio to:	
Room Sales	7.6%
Total Sales—1981	3.8
Total Sales—1980	3.0
Increase (Decrease)	26.7%
Property Operation & Maintenance	
Cost Per Available Room	
Payroll & Related Expenses	$ 813
Other	960
Total	$1,586
Ratio to:	
Room Sales	11.1%
Total Sales—1981	5.9
Total Sales—1980	7.3
Increase (Decrease)	(19.2)%

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-10
Energy Costs Per Occupied Room Per Day*
Latin America

	Total Region
Fuel	$ .67
Electricity	2.57
Water	.57
Steam	.13
Credit for Sale of Energy	(.08)
Net Energy Cost—1981	$3.97
Net Energy Cost—1980	$2.74
Increase (Decrease)	44.9%

*All figures are medians and do not necessarily add to totals shown.

Credit and collection data

Method of payment for hotel services and credit card usage are shown in Exhibits V-11 and V-12. Credit cards were by far the most common method of payment for hotel services in 1981, reflecting the influence of North American travelers. This also is illustrated by the high ratio to total sales of 2.3 percent for the annual cost per occupied room of credit card commissions.

Fixed charges

A comparison of the median amounts per available room and ratios to total sales of fixed charges, which include rent, property taxes, insurance on buildings and contents, interest and depreciation, are shown in Exhibit V-13. Because of the rapid increase in total fixed charges, these expenses as a ratio to total sales rose more than 5 percent in 1981. Throughout this region, the largest jump in fixed charges compared with 1980 was in rent expenses.

Balance sheet statistics

The typical liquidity ratios, those used to measure the extent to which a company can cover current obligations, are listed in Exhibit V-14. In general, the ratios remained consistent with 1980 performance levels for Latin America.

Median amounts per available room and ratios to total sales for the region are contained in Exhibits V-15 and V-16.

Exhibit V-11
Method of Payment for Hotel Services*
Latin America

	Total Region
Cash	25.0%
Credit Card	36.4
Travel Agents & Tour Operators	13.3
All Other Credit	25.3

*Based on arithmetic mean.

Exhibit V-12
Credit Card Commission
Annual Cost Per Occupied Room*
Latin America

	Total Region
Annual Cost Per Occupied Room	$491
Ratio to Total Sales	2.3%

*All figures are medians.

Exhibit V-13
Fixed Charges—Median Amounts Per Room and Ratio to Total Sales*
Latin America

	Total Region
Amount Per Room	
Rent	$2,645
Property Taxes	804
Insurance on Buildings & Contents	214
Interest Expense	525
Depreciation & Amortization	1,184
Total Fixed Charges	$4,578
Ratio to Total Sales—1981	16.1%
Ratio to Total Sales—1980	15.3
Increase (Decrease)	5.2%

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-14
Balance Sheet Statistics—Liquidity Ratios*
Latin America

	Total Region
Current Position:	
Ratio of Current Assets to Current Liabilities	$ 1.16
Accounts Receivable:	
Amount Per Room	$1,907
Ratio to Total Sales	7.2%
Food Inventory	
Amount Per Room	$ 174
Annual Turnover	21.5
Beverage Inventory	
Amount Per Room	$ 244
Annual Turnover	3.6
Operating Supplies Inventory	
Amount Per Room	$ 804

*All figures are medians.

Exhibit V-15
Statement of Income and Expenses—Median Amounts Per Available Room*
Latin America

	Total Region
Rooms	
Sales	$15,357
Departmental Expenses	
Payroll & Related Expenses	1,965
Other	1,101
Total	3,134
Departmental Income	12,196
Food & Beverage	
Sales	
Food	6,314
Beverage	3,183
Total	9,644
Cost of Sales	
Food	2,148
Beverage	668
Total	2,767
Gross Profit	6,456
Public Room Sales	166
Other Income	244
Gross Profit & Other Income	6,974
Departmental Expenses	
Payroll & Related Expenses	3,902
Other	1,564
Total	5,282
Departmental Income	2,056
Telephone Departmental Income	42
Net Income From Minor Operated Departments	231
Rentals & Other Income	577
Gross Income	15,668
Undistributed Operating Expenses	
Administrative & General	
Payroll & Related Expenses	1,495
Other	1,704
Total	3,095
Marketing	1,002
Energy Costs	1,109
Property Operation & Maintenance	1,586
Total Undistributed Expenses	7,335
Income Before Fixed Charges	7,773
Property Taxes & Insurance	1,018
Income Before Interest & Depreciation	$ 4,202

*All figures are medians and do not necessarily add to totals shown.

Exhibit V-16
Ratio to Total Sales*
Latin America

All ratios are based on total sales except those of the rooms and food and beverage departments. Cost of sales is shown as a percentage of the corresponding sales. Food and beverage departmental expense ratios are based on the combined food and beverage sales.

	Region Total
Rooms	
Sales	100.0%
Departmental Expenses	
Payroll & Related Expenses	12.8
Other	7.3
Total	20.3
Departmental Income	79.8
Ratio to Total Sales	41.8
Food & Beverage	
Sales	
Food	65.8
Beverage	34.2
Total	100.0
Cost of Sales	
Food	34.2
Beverage	22.1
Total	30.3
Gross Profit	69.7
Public Room Sales	1.6
Other Income	2.3
Gross Profit & Other Income	73.3
Departmental Expenses	
Payroll & Related Expenses	40.0
Other	14.9
Total	55.8
Departmental Income	20.8
Ratio to Total Sales	7.4
Telephone Departmental Profit	.3
Net Income From Minor Operted Departments	.9
Rentals & Other Income	2.4
Gross Income	53.4
Undistributed Operating Expenses	
Administrative & General	
Payroll & Related Expenses	5.4
Other	5.3
Total	10.7
Marketing	3.4
Energy Costs	3.8
Property Operation & Maintenance	5.9
Total Undistributed Expenses	25.8
Income Before Fixed Charges	28.1
Property Taxes & Insurance	2.6
Income Before Interest & Depreciation	13.6%

*All figures are medians and do not necessarily add to totals shown.

Appendix 1

Currency Conversion Tables
1981 vs. 1980, Percentage of Change

Country	1981 Factor [$US/(x)]	1980 Factor [$US/(x)]	Percentage of Change
Afghanistan	0.0198	0.0227	(12.8) %
Australia	1.1279	1.1730	(3.8)
Austria	0.0629	0.0749	(16.0)
Bahrain	2.6596	2.6300	1.1
Barbados	0.4972	0.5000	(.56)
Belgium	0.0260	0.0330	(21.2)
Bangladesh	0.0504	0.0615	(18.0)
Bermuda	1.0000	1.0000	0.0
Brazil	0.007825	0.0180	(56.5)
Canada	0.8432	0.8510	(0.92)
China	0.5729	0.6700	(14.5)
Columbia	0.0169	0.0216	(21.8)
Cyprus	2.3115	2.9000	(20.3)
CFA*	0.00348	0.0046	(24.3)
Denmark	0.1365	0.1720	(20.6)
Dominican Republic	1.0000	1.0000	0.0
Ecuador	0.0400	0.0375	6.7
El Salvador	0.4000	0.4000	0.0
Egypt	1.4286	1.4400	(0.79)
Fiji	1.1406	1.2300	(7.3)
Finland	0.2295	0.2680	(14.4)
France	0.1740	0.2300	(24.3)
Gambia	0.4770	0.6000	(20.5)
Germany	0.4435	0.5295	(16.2)
Ghana	0.3636	0.3500	3.9
Greece	0.0173	0.0233	(25.9)
Guatemala	1.0000	1.0000	0.0
Haiti	0.2000	0.2000	0.0
Hong Kong	0.1764	0.2023	(12.8)
Iceland	0.1223	.1603	(23.7)
India	0.1099	0.1300	(15.5)
Indonesia	0.0016	0.0016	0.0
Iran	0.0126	0.0145	(13.1)
Israel	0.0708	0.1600	(55.7)
Italy	0.00083	0.00112	(25.9)
Jamaica	0.5614	0.5600	0.25
Japan	0.00455	0.00477	(4.6)
Jordan	2.9498	3.4000	(13.2)
Kenya	0.09827	0.1370	(28.3)
Korea	0.00143	0.00165	(13.3)
Kuwait	3.5535	3.7500	(5.2)
Lebanon	0.2175	0.2910	(25.2)
Libera	1.0000	1.0000	0.0
Libya	3.3778	3.4000	(0.65)

Source: *International Financial Statistics*, December 1981, December 1980.
*United Republic of Cameroon, Central African Republic, People's Republic of the Congo, Republic of the Ivory Coast, Republic of Niger and Republic of Senegal.

Country	1981 Factor [$US/(x)]	1980 Factor [$US/(x)]	Percentage of Change
Luxembourg	0.0260	0.0330	(21.2)
Madagascar	0.00348	0.0044	(20.9)
Malaysia	0.4460	0.4750	(6.1)
Malta	2.5823	2.9500	(12.5)
Mexico	0.03813	0.0435	(12.3)
Morocco	0.1875	0.2550	(26.5)
Nepal	0.0758	0.0835	(9.2)
Netherlands	0.4051	0.4696	(13.7)
Netherlands Antilles	0.5556	0.5555	(.02)
New Zealand	0.8244	0.9770	(15.6)
Nicaragua	0.0995	0.1000	(0.5)
Nigeria	1.5418	1.8500	(16.6)
Norway	0.1722	0.2020	(14.7)
Oman	2.8952	2.9000	(0.16)
Pakistan	0.1010	0.1015	(0.49)
Peru	0.001976	0.0033	(40.1)
Philippines	0.1233	0.1350	(8.7)
Portugal	0.0153	0.0196	(21.9)
Qatar	0.2747	0.2750	(0.11)
Saudi Arabia	0.2928	0.3012	(2.8)
Seychelles	0.1623	0.1800	(9.8)
Sierra Leone	0.8516	0.9700	(12.2)
Singapore	0.4883	0.4800	(1.7)
South Africa	1.0454	1.3400	(22.0)
Spain	0.01026	0.01335	(23.1)
Sri Lanka	0.04866	0.0600	(18.9)
Sudan	1.1100	2.0000	(44.5)
Sweden	0.1795	0.2360	(23.9)
Switzerland	0.5568	0.5880	(5.3)
Syrian Arab Republic	0.2548	0.2575	(1.0)
Taiwan	0.026413	0.0280	(5.7)
Tanzania	0.1202	0.1250	(3.8)
Thailand	0.0435	0.0490	(11.2)
Tunisia	1.939	2.5000	(22.4)
Turkey	0.00818	0.0120	(31.8)
United Arab Emirates	0.2724	0.2750	(0.94)
United Kingdom	1.9080	2.4400	(21.8)
United States	1.0000	1.0000	0.0
Vanuatu	0.01087	••	••
Venezuela	0.2330	0.2332	(.08)
Yugoslavia	0.02556	0.0365	(30.0)
Zaire	0.1849	0.3450	(46.4)
Zambia	1.1952	0.8035	(48.7)

Appendix 2
Explanation of Terms and Bases Used

The accounting information has been accumulated using the 7th revised edition of the *Uniform System of Accounts for Hotels,* approved by the American Hotel & Motel Association, as a basis. The following paragraphs define the terms used in this study.

Room Sales
This category includes revenue from guest accommodations rented on a part-day, full-day, or longer period basis. The figures are net of any sales or turnover taxes and service charges paid to employees.

Revenue from public rooms ordinarily used for food and beverage service is not included in room sales.

Food Sales
This category includes revenue derived from the sale of food in restaurants, through room service or at banquets. Sales do not include meals charged by hotel management staff.

Beverage Sales
This category includes revenue from the sale of wine, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks. Sales do not include beverages charged by hotel management staff.

Minor Operated Department Sales
This category includes revenue derived from telephone, laundry and valet services. It also includes income from casino operations, pool club memberships and other departments operated.

Other Income
This category includes profit on foreign exchange, concession income and other income such as commissions from auto rentals, garage, parking lots and salvage.

Store Rentals
This category includes all income from rental of stores and showcases.

Cost of Food Sales
This category includes the cost of food served to guests, together with transportation and delivery charges, at gross invoice price less trade discounts. The cost of employees' meals is charged to the appropriate department and does not constitute a part of the cost of food sold.

Cost of Beverage Sales
This category represents the cost of wines, spirits, liqueurs, juices, beers, ale, porter, mineral waters and soft drinks and all other material served as beverages, or used in the preparation of mixed drinks, at gross invoice price less trade discounts, plus import duties, transportation and delivery charges. The cost of employees' beverages is charged to the appropriate department and does not constitute a part of the cost of beverages sold.

Cost of Minor Operated Department Sales
This category represents the cost of telephone, laundry and valet sales and any other minor operated department sales.

Rooms Payroll
This category includes salaries and wages of personnel of the rooms department (front office, doormen and porters).

Also included are the employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Food and Beverage Payroll
This category includes salaries and wages of personnel in the food and beverage department (purchasing, receiving, storage, preparation, service, dish-

washing, cashiers, and control). Also included are all employee benefits, such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions.

Minor Operated Department Payroll

This category includes salaries and wages of personnel in all minor operated departments, including telephone, guest laundry, valet, casino and pool. Also included are all employee benefits such as payroll taxes, social insurance, vacation and holiday pay, employees' meals, awards, social activities and pensions. House laundry and employee cafeteria payrolls are not included as they have been allocated to the various departments and are included in other expenses.

Other Expenses

The term "other expenses" can cause confusion. At first sight, it is a loose term—for example, the expression "wages and other expenses" could be interpreted as "wages and all additional expenses incurred in operating a facility." However, its meaning is precise and refers to direct departmental expenses incurred in the operation of a department or service (rooms department, sales office).

Rooms, Other Expenses

This category represents expenses other than rooms payrolls as defined above, such as rooms cleaning supplies, guest supplies, laundry, linen, reservation expenses, paper supplies and travel agents' commissions.

Food and Beverage, Other Expenses

This category includes items such as china and glassware, cleaning supplies, decorations, guest supplies, laundry, linen, music and entertainment, menus and beverage lists, silver and uniforms.

Minor Operated Departments, Other Expenses

This category includes items such as telephone equipment rental, laundry supplies, casino uniforms, casino entertainment and pool supplies.

Undistributed Operating Expenses

This classification is used for (1) administrative and general expense, (2) marketing expense, (3) energy costs, and (4) property operation and maintenance expense. Each of these can be considered as an individual entity. Some examples of the expenses included are:

- Administrative and general other expense includes cash overages or shortages, commissions on credit cards, collection charges, executive office expense, general insurance, postal, legal expense, trade association dues, traveling expenses, accountants and consultants fees.
- Marketing other expense includes advertising in all media and applicable travel expenses and supplies.
- Energy costs include the cost of electrical power, fuel, steam and water.
- Property operation and maintenance includes the cost of repairing buildings, electrical and mechanical equipment and fixtures, floor coverings, furniture, grounds and landscaping plus the cost of electric bulbs, mechanical supplies and removal of waste matter.

Income Before Fixed Charges

For purposes of this study, income before fixed charges is defined as the total of rooms department income, food and beverage department income, minor operated department income, store rentals and other income, less all undistributed expenses.

There are thus three levels of profit in the study. The first level is departmental profit (rooms, food and beverage, minor operated); the second is gross income (the sum of departmental profits plus store rentals and other income); the third is income before fixed charges (gross income less undistributed operating expenses).

Room Statistics

The published number of rooms for rental in a hotel usually differs from the actual number of rooms available—only the rooms permanently available to the public are used in computing ratios.

The number of rooms available in a period (usually a year) is the number permanently available multiplied by the days in the period.

The number of rooms occupied is the sum for the period of rooms rented to guests daily.

The number of guests is the sum of the daily house counts for a period.

Rate of Occupancy

The rate of occupancy is derived from the room statistics above. The average annual room occupancy is the ratio of total occupied rooms to total available rooms.

Average double occupancy is represented by total number of guests divided by total number of rooms occupied. This result can be expressed either on a guests per room basis, or as a percentage. Thus,

$$\frac{\text{total number of guests}}{\text{total occupied rooms}} = \frac{75}{50} = 1.50$$

This can be expressed as a double occupancy of 50 percent, or as 1.5 guests per occupied room.

Average Rate

There are two quantities widely used to express rooms sales on a unit basis—average room rate and the average rate per guest.

The average room rate is defined as room sales divided by the total number of rooms occupied.

The average rate per guest is defined as room sales divided by the total number of guests.

Number of Times Average Room Rate Was Earned

This measurement of operating efficiency is calculated by dividing income before fixed charges (house profit) per available room by the average room rate.

Food and Beverage Department

The ratios in the restaurant department are based on total food and beverage sales. The single exception is cost of sales. Cost of food sold is expressed as a percentage of food sales. Similarly, the cost of beverages sold is expressed as a percentage of beverage sales.

Current Ratio

The current ratio is defined as current assets, divided by current liabilities. The current portion of long-term debt has been excluded from current liabilities.

Inventory Ratios

Inventory figures taken from the balance sheet have been directly related to operations.

Average inventory is the sum of opening and closing inventories divided by two.

The turnover ratios represent cost of sales divided by average inventory.

Accounts Receivable Ratio

Average accounts receivable is the sum of opening and closing accounts receivable divided by two.

The turnover ratio represents sales divided by average accounts receivable.

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